BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Presented in Canadian Dollars)
(Unaudited)

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FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019

CONTENTS

(Unaudited)

BLUERUSH INC.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Inc. (the "Company") and its subsidiary as at and for the three months ended October 31, 2020 and 2019 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to the financial statements (see note 2 to the financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

MNP LLP, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the three months ended October 31, 2020 and 2019 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF OCTOBER 31, 2020 AND JULY 31, 2020
(Presented in Canadian Dollars)

	Note	October 31, 2020 (Unaudited)	July 31, 2020 (Audited)
ASSETS			
Current Assets			
Cash		$ 1,015,179	$ 1,343,953
Short term investments	4	16,965	16,881
Accounts receivable, net of ECL	23	264,878	263,324
Prepaids and other assets		140,631	134,594
Investment tax credits refundable		289,774	289,774
Unbilled revenue		47,190	94,311
Work in process		15,440	8,424
Total Current Assets		1,790,057	2,151,261
Non-Current Assets			
Equipment	5	69,085	54,476
Intangibles	7	79,686	100,682
Right-of-use assets	6	220,317	252,366
Contract costs	18	70,876	-
Total Assets		$ 2,230,021	$ 2,558,785
LIABILITIES AND DEFICIT			
Current Liabilities			
Accounts payable and accrued liabilities	8	$ 1,263,546	$ 1,084,471
Short term debt	9	165,500	165,500
Contract liabilities	10	1,122,752	1,066,461
Term loans - current portion	11	260,900	364,219
Lease liabilities - current portion	12	131,647	127,629
Provision		62,509	87,472
Total Current Liabilities		3,006,854	2,895,752
Non-Current Liabilities			
Term loans	11	167,077	75,472
Lease liabilities	12	90,069	124,598
Convertible debentures	13	3,241,512	3,185,306
Deferred taxes		104,940	114,795
Total Liabilities		6,610,452	6,395,923
Shareholders' Deficit			
Share capital		3,042,490	3,042,490
Contributed surplus		2,212,177	2,180,090
Accumulated deficit		(9,635,098)	(9,059,718)
Total Shareholders' Deficit		(4,380,431)	(3,837,138)
Total Liabilities and Shareholders' Deficit		$ 2,230,021	$ 2,558,785

Approved on Behalf of the Board

(Signed) - "*Larry Lubin*", Director

(Signed) - "*Paul G. Smith*", Director

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	2020	2019
REVENUE			
Subscriptions and support	20	$ 480,837	$ 267,164
Services	20	355,674	527,524
Interest		138	6,169
		836,649	800,857
COST OF SALES			
Subscriptions and support	17	89,339	83,724
Services	17	291,107	289,548
		380,446	373,272
GROSS PROFIT		456,203	427,585
EXPENSES			
Sales and marketing	17	390,417	685,110
General and administrative	17	260,702	395,288
Research and development	17	337,303	371,028
Interest and bank charges		142,522	98,336
Share-based payments	15	32,087	50,061
Depreciation of equipment and right-of-use assets	5, 6	35,595	35,918
Amortization of intangible assets	7, 18	27,439	20,997
Total Expenses		1,226,065	1,656,738
LOSS FROM OPERATIONS		(769,862)	(1,229,153)
Other income	19	184,627	-
LOSS FROM OPERATIONS BEFORE TAXES		(585,235)	(1,229,153)
Deferred income taxes		9,855	6,058
LOSS FROM CONTINUING OPERATIONS		(575,380)	(1,223,095)
DISCONTINUED OPERATIONS			
Income from discontinued operations	21	-	24,637
Gain on sale of asset	21	-	2,216,205
INCOME FROM DISCONTINUED OPERATIONS		-	2,240,842
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ (575,380)	$ 1,017,747
INCOME (LOSS) PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED:			
CONTINUING OPERATIONS		$ (0.007)	$ (0.016)
DISCONTINUED OPERATIONS		$ 0.000	$ 0.029
CONTINUING AND DISCONTINUED OPERATIONS		$ (0.007)	$ 0.013
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		78,366,242	76,786,499

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note	Common Shares		Share Capital		Contributed Surplus		Accumulated Deficit		Total Shareholders' Deficit
Balance - August 1, 2019		75,251,848	$	2,804,938	$	2,054,753	$	(7,745,487)	$	(2,885,796)
Common shares issued	14	470,085		35,471		(35,471)		-		-
Exercise of warrants	14, 16	2,644,309		202,081		(59,626)		-		142,455
Share-based payments	15	-		-		50,061		-		50,061
Net income		-		-		-		1,017,747		1,017,747
Balance - October 31, 2019		78,366,242	$	3,042,490	$	2,009,717	$	(6,727,740)	$	(1,675,533)
Balance - August 1, 2020		78,366,242		3,042,490		2,180,090		(9,059,718)		(3,837,138)
Share-based payments	15	-		-		32,087		-		32,087
Net loss		-		-		-		(575,380)		(575,380)
Balance - October 31, 2020		78,366,242	$	3,042,490	$	2,212,177	$	(9,635,098)	$	(4,380,431)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2020 AND 2019
(Presented in Canadian Dollars)
(Unaudited)

	Note		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income (loss) and comprehensive income (loss)		$	(575,380)	$	1,017,747
Items not requiring an outlay of cash:					
Depreciation of equipment and right-of-use assets	5, 6		35,595		35,918
Amortization of intangibles	7		20,996		23,486
Amortization of contract costs	18		6,443		-
Share-based payments	15		32,087		50,061
Unrealized gain on foreign exchange			-		(3,697)
Accretion and accrued interest			62,201		83,408
Gain on sale of asset	21		-		(2,216,205)
Deferred income taxes			(9,855)		(6,058)
Changes in non-cash working capital:					
Accounts receivable			(1,554)		135,694
Prepaids and other assets			(6,037)		(1,644)
Work in process			(7,016)		2,591
Unbilled revenue			47,121		12,683
Contract costs			(77,319)		-
Investment tax credits refundable			-		80,914
Accounts payable and accrued liabilities			179,075		92,535
Contract liabilities			56,291		(152,794)
Provision			(24,963)		-
NET CASH USED IN OPERATING ACTIVITIES			(262,315)		(845,361)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of short term debt	9		-		(118,520)
Repayment of lease liabilities	12		(36,104)		(34,189)
Proceeds from exercise of warrants	14, 16		-		142,455
Repayment of term loans	11		(12,200)		(54,501)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES			(48,304)		(64,755)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds on disposal of asset, less transaction costs	21		-		2,266,737
Proceeds from sale of short term investments			-		17,585
Purchase of equipment	5		(18,155)		(2,553)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES			(18,155)		2,281,769
NET (DECREASE) INCREASE IN CASH			(328,774)		1,371,653
EFFECT OF EXCHANGE RATE CHANGES ON CASH			-		3,697
CASH, BEGINNING OF PERIOD			1,343,953		887,833
CASH, END OF PERIOD		$	1,015,179	$	2,263,183
SUPPLEMENTAL CASH FLOW INFORMATION:					
Interest paid		$	78,785	$	14,927
Income taxes paid		$	-	$	-

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF BUSINESS

BlueRush Inc. ("BlueRush" or the "Company"), through its wholly owned subsidiary, BlueRush Digital Media Corp., offers a Software as a Service ("SaaS") based marketing and sales enablement platform that enables organizations to achieve greater engagement with their customers. Another key component of BlueRush is its services offerings, consisting of the creation of compelling personalized videos, as well as a full suite of customizable financial tools. The Company was incorporated on April 6, 2004 in the Province of Ontario. The Company is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada. On April 27, 2018, the Company changed its name from BlueRush Media Group Corp. to BlueRush Inc.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These financial statements should be read in conjunction with the Company's 2020 annual financial statements.

These financial statements were authorized by the Board of Directors on December 17, 2020.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and Presentation Currency

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

Basis of Consolidation

These consolidated financial statements include the accounts of BlueRush and its wholly-owned subsidiary, BlueRush Digital Media Corp. All intercompany accounts and transactions have been eliminated on consolidation.

2. BASIS OF PREPARATION (Continued)

Going Concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from operations during the three months ended October 31, 2020 of $575,380 and has an accumulated deficit of $9,635,098 as at October 31, 2020 (July 31, 2020 - $9,059,718). The Company has funded its general working capital, research and development ("R&D") and sales & marketing needs principally through the issuance of securities and convertible debentures. There is no certainty that such funding will be available going forward. As at October 31, 2020 the Company had current assets of $1,790,057 (July 31, 2020 - $2,151,261) and current liabilities of $3,006,854 (July 31, 2020 - $2,895,752). Of the $3,006,854 current liabilities as at October 31, 2020, $1,122,752 relates to contract liabilities representing payment in advance by customers. This amount will not crystallize as a cash outflow, giving an adjusted current liability of $1,884,102. These conditions raise doubt about its ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

Management is also closely evaluating the impact of COVID-19 on the Company's business. In order for the Company to continue as a going concern and fund any expansion of its operations, the Company will require additional capital. The availability of equity or debt financing will be affected by, among other things, the results of the Company's continued transition to the SaaS model, sales efforts, the progress of IndiVideo's R&D, the state of the capital markets considering COVID-19 and strategic partnership agreements. In addition, if the Company raises additional funds by issuing equity securities, then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on its part to raise additional funds on terms favourable to the Company or at all, may require the Company to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities.

3. SIGNIFICANT ACCOUNTING POLICIES

Discontinued Operations

A discontinued operation is a component that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations,

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or

(c) is a subsidiary acquired exclusively with a view to resale.

A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

IFRS 16, Leases ("IFRS 16")

Leases

The Company recognizes an ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for lease contracts which include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

Leases with a term less than twelve months or of low value are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IFRS 16, Leases ("IFRS 16") (Continued)

Transition

The Company adopted IFRS 16 in its audited consolidated financial statements for the year ended July 31, 2020, using the modified retrospective approach under which the cumulative effect of initial application is recognized in retained earnings at August 1, 2019. Accordingly, the prior period financial information has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

The Company has available the following practical expedients as permitted under the new IFRS 16 standard:

i) Leases with a remaining lease term of fewer than twelve months can be classified as short-term leases.

ii) Leases of low dollar value continue to be expensed as incurred.

iii) Any immaterial rent concessions and deferrals as a direct consequence of the COVID-19 pandemic are not treated as lease modifications.

As a result of initially applying IFRS 16, the Company has no short-term or low dollar value leases as of August 1, 2019. In relation to the leases that were previously classified as operating leases, related to the Company's lease of its office spaces in Toronto and Montreal. The Company would recognize lease liabilities of $365,858 for its premises leases by discounting the remaining lease payments of $418,150 at the incremental borrowing rate of 8.86% to 9.96% per annum.

4. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of $16,965, consisting of $16,550 principal plus accrued interest of $415 (July 31, 2020 - $16,881, consisting of $16,550 principal plus accrued interest of $331) which bear interest at an nominal interest rate and mature on October 31, 2020. The GICs were obtained as letters of credit for financing received as discussed in note 9.

(Presented in Canadian Dollars)

5. EQUIPMENT

The components of equipment are as follows as of October 31, 2020:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2020	$ 88,806	$ 160,782	$ 249,588
Additions	-	18,155	18,155
Disposals	-	-	-
Closing balance - October 31, 2020	$ 88,806	$ 178,937	$ 267,743

Accumulated Depreciation	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2020	$ 70,505	$ 124,607	$ 195,112
Depreciation	900	2,646	3,546
Closing balance - October 31, 2020	$ 71,405	$ 127,253	$ 198,658

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2020	$ 18,301	$ 36,175	$ 54,476
Balance - October 31, 2020	$ 17,401	$ 51,684	$ 69,085

6. RIGHT-OF-USE ASSETS

The components of right-of-use assets are as follows as of October 31, 2020:

Cost or Deemed Cost	Total
Opening balance - August 1, 2020	$ 380,562
Additions	-
Closing balance - October 31, 2020	$ 380,562

Right-Of-Use assets pertains to lease of office building.

(Presented in Canadian Dollars)

6. RIGHT-OF-USE ASSETS (Continued)

Accumulated Depreciation		Total
Opening balance - August 1, 2020	$	128,196
Depreciation		32,049
Closing balance - October 31, 2020	$	160,245

Carrying Value		Total
Balance - August 1, 2020	$	252,366
Balance - October 31, 2020	$	220,317

As a result of initially applying IFRS 16, the Company recognized right-of-use assets of $380,562 as of August 1, 2019. Depreciation expense of $32,049 was recognized from these leases during the three months ended October 31, 2020.

7. INTANGIBLES

The components of internally generated intangible assets are as follows as of October 31, 2020:

Cost		
Opening balance - August 1, 2020	$	419,923
Additions		-
Disposals		-
Closing balance - October 31, 2020	$	419,923

Accumulated Amortization		
Opening balance - August 1, 2020	$	319,241
Amortization		20,996
Disposals		-
Closing balance - October 31, 2020	$	340,237

Carrying Value		
Balance - August 1, 2020	$	100,682
Balance - October 31, 2020	$	79,686

(Presented in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	October 31, 2020	July 31, 2020
Trade accounts payable	$ 547,791	$ 442,823
Accrued liabilities	119,562	172,917
Accrued vacation payable and other employee benefits	242,853	301,631
Customer deposits	353,340	167,100
	$ 1,263,546	$ 1,084,471

9. SHORT TERM DEBT

During the year ended July 31, 2019, the Company received approval for new bridge loans from Investissement Quebec ("IQ") of up to $337,900 by way of two separate loans based on the Company's eligibility of their 2018 and 2019 Scientific Research and Experimental Development ("SRED") claims ($172,400 and $165,500, respectively). The Company received total advances from IQ in the amount of $284,020, being $118,520 for the 2018 SRED claim and $165,500 for the 2019 SRED claim. The loans will be used to fund working capital requirements and are secured against the expected refundable portion of the Company's fiscal 2018 and 2019 SRED claims. The loans bear interest at prime rate plus 2.25% per annum, where prime rate is the rate used by the majority of six Canadian Chartered banks as chosen by IQ.

The loans are repayable on the earlier of the following dates:

- the date the Company files its corporate income tax return and the SRED claim is deducted from income taxes payable at that time;
- the date the Company is required to file its corporate income tax return if the return is not filed;
- the date a refund is received from the relevant authorities regarding the refundable SRED claims; or
- January 31, 2020 with respect to the 2018 advances and January 31, 2021 with respect to the 2019 advances.

(Presented in Canadian Dollars)

9. SHORT TERM DEBT (Continued)

The loans are secured granting IQ a senior-ranking hypotech in the amount of $337,900 and an additional hypotech in the amount of $67,580 (being $34,480 related to the 2018 SRED claim advances and $33,100 related to the 2019 SRED claim advances) charging the universality of the Company's present and future claims and accounts receivable, giving priority to the Company's present and future tax credits. In addition, the Company must maintain an irrevocable standby letter of credit in favour of IQ representing an amount of 10% of the loans guaranteeing all the Company's obligations under the loans, with maturity dates of February 21, 2020 for the 2018 SRED claim advances and February 19, 2021 for the 2019 SRED claim advances. As discussed in note 4, the Company has secured letters of credit totalling $16,550 plus any accrued interest (July 31, 2020 - $16,550) with one year GICs at a nominal interest rate. The 2019 SRED GIC of $16,550 matures on October 31, 2020. The Company will renew the GICs to maintain them in accordance with the required maturity dates of the advances.

10. CONTRACT LIABILITIES

The following table represents changes in contract liabilities for the three months ended October 31, 2020:

Balance - August 1, 2020	$	1,066,461
Invoiced during the period, excluding amount recognized as revenue		978,133
Amount recognized as revenue		(921,842)
Balance - October 31, 2020	$	1,122,752

11. TERM LOANS

		October 31, 2020		July 31, 2020
Investissement Quebec (i)	$	274,319	$	280,319
Business Development Bank of Canada (ii)		164,720		170,920
		439,039		451,239
Transaction costs		(11,062)		(11,548)
Current portion		(260,900)		(364,219)
	$	167,077	$	75,472

11. TERM LOANS (Continued)

(i) In June and July 2015 the Company received a term loan from Investissement Quebec ("IQ") in the amount of $1,000,000 to fund working capital needs. The term loan is interest-bearing at prime rate plus 3.15% per annum. Interest only payments were required until June 2016 (12 months), thereafter monthly principal payments of $16,667 plus interest are due until January 2020. During the year ended July 31, 2020, the Company both renegotiated the payment terms of the remaining balance of $283,319 ($383,321 as at July 31, 2019) while also receiving a moratorium on all outstanding principal for 6 months due to COVID-19 beginning March 2020. Monthly principal payments of $3,000 plus interest are due from September 2020 to January 2021. Following this, the Company's monthly principal payments will be $12,000 plus interest from February 2021 to June 2021, thereafter $20,000 plus interest until November 2021 with the final payment of $105,319 due in December 2021. The loan is secured by a universal mortgage on all present and future assets, including a first ranking on tax credits. Two current directors / officers of the Company have personally guaranteed a total of $50,000 of the loan.

As of October 31, 2020, the Company was breach on both financial covenants relating to these term loans. The Company obtained a waiver of these financial covenants from IQ such that the term loan did not become payable on demand and the terms of the loan remained unchanged as at October 31, 2020.

(ii) In July 2015, the Company received a term loan from the Business Development Bank of Canada ("BDC") in the amount of $250,000 to fund working capital needs. The term loan is interest-bearing at BDC's Floating Base Rate plus 2.5% per annum. The first monthly principal payment of $4,560 plus interest was paid in July 2016, thereafter monthly principal payments of $4,160 plus interest were paid until January 2019. In February 2019, the Company renegotiated the payment terms of the remaining balance of $120,640. In March 2020, the Company again renegotiated the payment terms of the remaining balance of $107,640. Monthly principal payments of $1,000 plus interest are due from September 2020 to January 2021, thereafter monthly principal payments of $9,300 plus interest are due until November 2021, with the final payment of $9,640 due in December 2021. Two current directors / officers of the Company have personally guaranteed 64% of the outstanding balance of the loan, and the Company has guaranteed the full amount of the outstanding commitment of the loan. In October 2016, the Company received an additional $100,000, less transactions costs of $2,000, with the same terms and conditions stated above except the first monthly principal payment of $2,060 plus interest was paid in September 2017, thereafter monthly principal payments of $1,660 plus interest were paid until January 2019. In February 2019, the Company renegotiated the payment terms of the remaining balance of $71,380. In March 2020, the Company again renegotiated the payment terms of the remaining balance of $63,280. Monthly principal payments of $2,100 plus interest are due from September 2020 to January 2023, with the final payment of $2,380 due in February 2023.

(Presented in Canadian Dollars)

11. TERM LOANS (Continued)

Principal scheduled repayments under the term loans are due as follows:

2021 (Nine months)	$	166,700
2022		257,359
2023		14,980
	$	439,039

12. LEASE LIABILITIES

On August 1, 2019, the Company measured its lease liabilities and discounted the remaining lease payments of $418,150 using the incremental borrowing rate which is between 8.86% to 9.96% per annum.

The following table presents the lease liabilities for the Company:

		Three months ended October 31, 2020		Year ended July 31, 2020
Balance - beginning of period	$	252,227	$	-
Lease liabilities on transition to IFRS 16 - August 1, 2019		-		365,858
Interest payable on lease liabilities		5,593		29,267
Repayments during the period		(36,104)		(142,898)
Balance - end of period		221,716		252,227
Current portion		(131,647)		(127,629)
Non-current portion	$	90,069	$	124,598

The following table presents the contractual undiscounted cash flows for lease obligations as of October 31, 2020:

Less than one year	$	146,329
Two to five years		92,821
More than five years		-
	$	239,150

(Presented in Canadian Dollars)

13. CONVERTIBLE DEBENTURES

	October 31, 2020	July 31, 2020
Principal amount	$ 3,450,000	$ 2,000,000
Addition	-	1,450,000
Equity component on initial recognition	(632,320)	(632,320)
Accretion	212,728	174,627
Transaction costs	(55,871)	(55,871)
Accrued interest	448,123	361,302
Interest payment	(181,148)	(112,432)
	$ 3,241,512	$ 3,185,306

On October 31, 2018, the Company issued convertible debentures (the "Debentures I") for total gross proceeds of $2,000,000. The Debentures have the following terms:

- Mature on October 31, 2023.
- Bear interest at 10% per annum and will be payable quarterly starting in year two being January 31, 2020. The Company has the option to pay all or a portion of interest in kind by way of common shares in the Company at a deemed price equal to the volume-weighted average trading price of the common shares for the period of ten (10) days prior to the interest payment date. In the event the Company elects to convert accrued interest into common shares, the interest rate for the amount to be converted into common shares shall be based on 12%. Accrued interest for year one will be paid on the maturity date.
- In the event the volume-weighted average trading price of the common shares is greater than $0.25 for 20 consecutive trading days at any time following October 31, 2019, the Company shall have the option to invite holders of Debentures I to convert the then outstanding principal of the Debentures I into Common Shares at $0.105 per share (the "Conversion Price"). In the event a holder does not elect to convert the Conversion Price shall increase to $0.15. Subject to the foregoing, the principal of the Debentures I may be converted at any time in whole or in part at the holder's option into common shares at the Conversion Price in effect at such time. On the maturity date, the principal of the Debentures I may be converted in whole or in part at the Company's option into common shares at the Conversion Price in effect at such time.
- The principal of the Debentures I are redeemable in whole or part by the Company at any time following twelve (12) months from the closing date plus a 25% premium on the principal.

13. CONVERTIBLE DEBENTURES (Continued)

In April 2020, the Company obtained an interest deferral from one of the Debentures I holders. The Company repaid the interest amounts in the sum of $68,716 and deferred payment of $18,852.

The conversion feature of the Debentures I meets the fixed for fixed criteria and is therefore presented as an equity instrument in accordance with IAS 32. The debt component of the Debentures I was measured at fair value at initial recognition. To determine the initial amount of the respective debt and equity components of the Debentures I issued, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk, which the Company has estimated as 16.52%. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of $1,499,653 and the equity component was assigned a value of $500,347 (less deferred income taxes of $134,297). The debt component is subsequently accounted for at amortized cost using the effective interest rate method. Transaction costs of $33,986 were paid related to the Debentures I, of which $25,484 was deducted from the value of the debt component and $8,502 was deducted from the residual value of the equity component.

On July 30, 2020, the Company completed an issuance of convertible debentures ("Debentures II") for the total gross proceeds of $1,450,000. The Debentures II have the following terms:

- Mature on May 31, 2023.
- Bear interest at 10% per annum and will be payable annually. At the option of the Subscribers, the interest will be convertible into Common Shares based on the volume-weighted average trading price of the Common Shares for the ten (10) days prior to the interest payment date.
- The Debentures II shall be convertible into Common Shares at the option of the Subscribers at $0.06 per share during the first 12 months of the term and $0.10 per share in the final 24 months of the term.
- The Debenture II have a hold period of 4 months from the Closing Date.

(Presented in Canadian Dollars)

13. CONVERTIBLE DEBENTURES (Continued)

The conversion feature of the Debentures II meets the fixed for fixed criteria and is therefore presented as an equity instrument in accordance with IAS 32. The debt component of the Debentures II was measured at fair value at initial recognition. To determine the initial amount of the respective debt and equity components of the Debentures issued, the carrying amount of the financial liability was first calculated by discounting the stream of future principal and interest payments at the rate of interest prevailing at the date of issue for instruments of similar term and risk, which the Company has estimated as 14.26%. The debt component was then deducted from the total carrying amount of the compound instrument to derive the equity component. The debt component was assigned a value of $1,307,372 and the equity component was assigned a value of $142,628 (less deferred income taxes of $43,026). The debt component is subsequently accounted for at amortized cost using the effective interest rate method. Transaction costs of $21,886 were paid related to the Debentures II, of which $19,733 was deducted from the value of the debt component and $2,153 was deducted from the residual value of the equity component.

Scheduled interest payments under the Debentures are due as follows:

2021	281,931
2022	345,000
2023	345,000
Thereafter	50,411
	$ 1,022,342

14. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 78,366,242 common shares issued and outstanding as at October 31, 2020 (78,366,242 as at July 31, 2020).

During the three months ended October 31, 2020, warrant holders did not exercise any warrants.

For the three months ended October 31, 2019, warrant holders exercised 2,059,169 warrants at $0.05 for total gross proceeds of $102,958 and 585,140 warrants at $0.0675 for total gross proceeds of $39,497.

(Presented in Canadian Dollars)

15.SHARE-BASED PAYMENTS

A summary of the status of the Company's stock options as at October 31, 2020 and 2019 and changes during the three months then ended is presented below:

	Three months ended October 31, 2020			Three months ended October 31, 2019		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding - beginning of period	12,892,754	$	0.09	12,830,000	$	0.12
Granted	-		-	-		-
Exercised	-		-	-		-
Expired	(869,442)		0.10	(116,670)		0.20
Outstanding - end of period	12,023,312	$	0.09	12,713,330	$	0.12
Exercisable - end of period	7,539,283	$	0.10	9,307,900	$	0.12

The weighted average remaining contractual life of stock options as of October 31, 2020 is 3.08 years (July 31, 2020 - 3.31 years).

The Company had the following stock options outstanding as of October 31, 2020:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
575,000	575,000	0.150	May 10, 2022	1.52
3,500,000	3,500,000	0.100	December 11, 2022	2.11
1,750,000	1,750,000	0.120	March 7, 2023	2.35
50,000	47,916	0.150	November 15, 2023	3.04
280,000	280,000	0.105	December 14, 2020	0.12
500,000	277,770	0.080	February 1, 2024	3.25
1,025,000	455,545	0.085	June 12, 2024	3.62
425,000	-	0.080	November 8, 2024	4.02
3,918,312	653,052	0.050	April 10, 2025	4.44
12,023,312	7,539,283			

(Presented in Canadian Dollars)

15.SHARE-BASED PAYMENTS (Continued)

Share-based payments for all vested options for the three months ended October 31, 2020 was $32,087 (three months ended October 31, 2019 - $50,061), which was credited to contributed surplus and expensed to share-based payments.

16.SHARE PURCHASE WARRANTS

During the three months ended October 31, 2020, warrant holders did not exercise any warrants.

During the three months ended October 31, 2019, warrant holders exercised 2,059,169 warrants at $0.05 for total gross proceeds of $102,958 and 585,140 warrants at $0.0675 for total gross proceeds of $39,497. As a result, $59,626 was transferred from contributed surplus to share capital representing the relative fair value of these warrants exercised into common shares, net of transaction costs. The weighted average market price of warrants exercised on the date of issuance was $0.08.

A summary of the status of the Company's warrants as at October 31, 2020 and 2019 and changes during the three months then ended is presented below:

	Three months ended October 31, 2020		Three months ended October 31, 2019	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	370,000	$ 0.102	6,129,933	$ 0.058
Granted	-	-	-	-
Exercised	-	-	(2,644,309)	0.054
Expired	-	-	(3,115,624)	0.057
Outstanding - end of period	370,000	$ 0.102	370,000	$ 0.102

(Presented in Canadian Dollars)

16.SHARE PURCHASE WARRANTS (Continued)

The Company had the following warrants outstanding as at October 31, 2020:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
320,000	320,000	0.105	November 14, 2020	0.04
50,000	50,000	0.085	May 15, 2021	0.54
370,000	370,000			

17.EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

The components of cost of sales - subscription and support are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Salaries and benefits	$ 20,735	$ 60,146
Hosting expense	54,857	23,465
Subcontracting	13,747	113
	$ 89,339	$ 83,724

Cost of Sales - Services

The components of cost of sales - services are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Subcontracting	$ 134,194	$ 171,863
Salaries and benefits	152,721	107,607
Other production costs	4,192	10,078
	$ 291,107	$ 289,548

(Presented in Canadian Dollars)

17. EXPENSES BY NATURE (Continued)

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Salaries and benefits	$ 263,252	$ 480,358
Advertising and promotion	68,532	137,865
Travel	7,880	54,997
Meals and entertainment	2,152	9,490
Consulting fees	48,601	2,400
	$ 390,417	$ 685,110

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Salaries and benefits	$ 111,266	$ 245,524
Computer and software	22,015	52,554
Consulting fees	41,000	20,160
Professional fees	43,431	19,626
TMI and occupancy costs	20,564	18,801
Stock exchange expense	(7,498)	16,889
Telecommunications	7,197	9,142
Other office and administrative	3,016	8,869
Insurance	6,804	6,377
Training and recruitment	3,463	1,038
Foreign exchange	9,444	(3,692)
	$ 260,702	$ 395,288

(Presented in Canadian Dollars)

17. EXPENSES BY NATURE (Continued)

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Salaries and benefits	$ 293,792	$ 286,347
Subcontracting	36,545	99,142
Research and Development- Other	6,966	-
Other government grants	-	(14,461)
	$ 337,303	$ 371,028

18. CONTRACT COST

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the costs to be recoverable and has determined that certain sales commissions meet the requirements to be capitalized. Capitalized contract costs are amortized over the expected life of the customer subscription to which they relate. The amortization period includes anticipated contract renewals where there is either no renewal commission or a renewal commission that is not commensurate with the initial commission. The Company applies the practical expedient available under IFRS and does not capitalize incremental costs of obtaining contracts if the amortization period is one year or less.

The following table represents changes in contract costs for the quarter ended October 31, 2020:

Balance - August 1, 2020	-
Additions	77,319
Amortization	(6,443)
Balance - October 31, 2020	70,876

(Presented in Canadian Dollars)

19. OTHER INCOME: GOVERNMENT GRANTS

The Company applied for Canada Emergency Wage Subsidy (CEWS) assistance program. The CEWS program is applicable from March 2020 to June 2021 for eligible entities that have experienced a reduction in gross revenue for the period as determined by the program.

The Company has elected to compare the revenue during the availability period to the average of January and February 2020 revenues and are being calculated on accrual basis and included on a gross basis. Per program guidance, the Company determined it qualifies for a subsidy of $184,627 during the three months ended October 31, 2020 (year ended July 31, 2020 - $569,219) using pre-crisis baseline remuneration.

Wage Subsidy (Monthly)		
August 2020	$	110,378
September 2020		47,726
October 2020		26,523
Total	$	184,627

The assistance received from CEWS will reduce the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration, such as Scientific Research & Experimental Development (SR&ED) investment tax credits for the Company.

20. DISAGGREGATION OF REVENUE

The Company has one reportable segment, which is providing interactive personalized video and marketing software to financial institutions, insurance services and pension funds. This single reportable operating segment derives its revenues from the sale of software-as-a-service (SaaS) products and related professional services are transacted.

The disaggregated revenue from contracts with customers by product line or geographic location shows the nature, amount and timing of revenue and cashflows, which could be affected by economic factors.

(Presented in Canadian Dollars)

20. DISAGGREGATION OF REVENUE (Continued)

	Three months ended October 31, 2020		Three months ended October 31, 2019	
Subscription and support	$	480,837	$	267,164
Services		355,674		527,524
	$	836,511	$	794,688

The Company generates revenues in three principal geographical regions: Canada, United States of America (USA), and outside North America (other). In presenting the geographic information, segmented revenue has been based on the geographic location of customers:

	Three months ended October 31, 2020		Three months ended October 31, 2019	
Canada	$	322,750	$	336,156
US		402,791		387,065
Other		110,970		71,467
	$	836,511	$	794,688

21. GAIN ON SALE OF ASSET AND DISCONTINUED OPERATIONS

On September 4, 2019, the Company sold its DigitalReach platform and Broadridge's Smart Advisor application to an U.S. company for $2,300,000 in cash. The operations of DigitalReach and Smart Advisor have been transferred to the U.S. company and are presented as discontinued operations in the consolidated statement of loss and comprehensive loss for the current and prior period.

The gain on sale of asset is calculated as follows:

		2019
Cash proceeds	$	2,300,000
Transaction costs		(33,263)
Net sale proceeds		2,266,737
Carrying value of intangible assets		(50,532)
Gain on sale of asset	$	2,216,205

(Presented in Canadian Dollars)

21.GAIN ON SALE OF ASSET AND DISCONTINUED OPERATIONS (Continued)

The financial performance presented is for the three months ended October 31, 2020 and 2019. The results of discontinued operations are as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
REVENUE		
Subscriptions and support	$ -	$ 83,801
	-	83,801
COST OF SALES		
Subscriptions and support	-	3,346
Services	-	8,664
	-	12,010
GROSS PROFIT	-	71,791
EXPENSES		
Research and development	-	35,015
General and administrative	-	7,367
Sales and marketing	-	2,283
Amortization of intangible assets	-	2,489
Total expenses	-	47,154
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ -	$ 24,637

22.RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's related party transactions for the three months ended October 31, 2020, were all paid to key management personnel and were as follows:

	Three months ended October 31, 2020	Three months ended October 31, 2019
Salaries and benefits	$ 291,040	$ 427,700
Share-based payments (i)	2,451	31,697
	$ 293,491	$ 459,397

(Presented in Canadian Dollars)

22.RELATED PARTY TRANSACTIONS (Continued)

i) Share-based payments for officers/directors is comprised of the vested value of stock options expensed during the three months ended October 31, 2020 and 2019.

23.FINANCIAL INSTRUMENTS

Credit Risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Company is exposed to credit risk on its trade accounts receivable. Credit risk is minimized by ensuring the credit worthiness of the entities with which it carries on business. The Company's clients predominantly consist of financial institutions and large public companies, many of whom are repeat clients and have long-term relationships with the Company. The amounts reported for trade receivables in the consolidated statement of interim financial position is net of allowances for credit losses, bad debt and the net carrying value represents the Company's maximum exposure to credit risk.

Management regularly reviews the credit terms and monitoring the age and balances outstanding. Payment terms with customers are normally 30 days from invoice date. For the three months ended October 31, 2020, the company has recorded a provision for Expected Credit Losses ("ECLs") of $3,061 (July 31, 2020 - $2,230). Major customer: As at October 31, 2020, approximately 48% of the Company's accounts receivable are due from one significant customer.

An analysis of the credit quality of the Company's trade receivables is as follows:

	ECL %		October 31, 2020		July 31, 2020
Current	0.5%	$	200,923	$	147,718
Over 30 days past due	1.0%		45,699		115,038
Over 60 days past due	2.5%		20,205		432
Over 90 days past due	5.0%		1,112		-
Over 120 days past due	10.0%		-		2,366
Less: Provision for ECLs			(3,061)		(2,230)
		$	264,878	$	263,324

23. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they fall due. The Company currently settles its financial obligations such as accounts payable out of cash. The Company's future liquidity is dependent on factors such as the ability to generate cash from operations and to raise money through debt or equity financing. The Company has disclosed in Note 2 to these condensed consolidated interim financial statements the existence of circumstances which would raise doubt about its ability to continue as a going concern.

The Company is exposed to liquidity risk on accounts payable to its suppliers, which arise in the normal course of operations and are due in less than one year, its term loans and convertible debentures, which are repayable in various monthly & quarterly installments as discussed in note 11 & 13. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows and budgets on all contracts, while maintaining adequate working capital on hand to meet its future obligations. As of October 31, 2020, the Company had cash on hand of $1,015,179 and accounts receivable of $264,878 to meet working capital requirements.

As at October 31, 2020, the Company's current liabilities exceed current assets by $1,216,797 (as of July 31, 2020, current liabilities exceed current assets by $744,491). Of this amount, $1,122,752 ($1,066,461 - July 31, 2020) relates to contract liabilities (Note 10), which is expected to be settled through the performance of service in the normal course. The current liabilities also include $165,500 short term debt (Note 9) and current portion of term loans of $260,900 (Note 11).

The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables are due within the next 12 months. Convertible debentures that were issued on October 31, 2018 have an interest only payment due quarterly with next payment on January 31, 2021 until their maturity date and those that were issued on July 30, 2020 have interest only payments due annually with next payment on May 31, 2021 (Note 13).

Market Risk

The Company is exposed to risks from changes in foreign exchange rates and interest rates that affect its financial liabilities, financial assets and future transactions.

23. FINANCIAL INSTRUMENTS (Continued)

Currency Risk

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and purchases are denominated and the respective functional currency of the Company. The functional currency of the Company is Canadian dollar (CAD). The currencies in which transactions are primarily denominated are Canadian or US dollars (USD).

In respect of monetary assets and liabilities denominated in foreign currencies, the Company policy is to ensure that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rate when necessary to address short-term imbalances and business needs.

As at October 31, 2020, the Company's foreign denominated monetary assets and monetary liabilities as expressed in USD$ total $677,258 (July 31, 2020 - USD$550,116) and converted at the fiscal end exchange rates of 1.33 and 1.34, respectively. For the quarter ended October 31, 2020, the Company recognized a loss on foreign exchange of $9,444 (July 31, 2020 - gain of $12,719) as a result of appreciation/depreciation of US dollar.

Exposure to Currency Risk

			October 31, 2020		July 31, 2020
Cash	USD	$	604,802	$	373,657
Trade receivables			100,560		195,638
Trade payables			(28,104)		(19,179)
Net statement of financial position exposure	USD	$	677,258	$	550,116
Average USD to CAD exchange rate		$	1.322	$	1.346
Spot rate USD to CAD exchange rate		$	1.332	$	1.340

Sensitivity Analysis

A reasonably possible (strengthening) weakening of Canadian dollar against US dollar on October 31, 2020 and July 31, 2020 would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amount show below.

The potential effect of a 5% increase or decrease in net exposure due to the USD transactions would result in an increase or decrease in net earnings of approximately $45,099 (July 31, 2020 - $36,869). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

(Presented in Canadian Dollars)

23.FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis (Continued)

	October 31, 2020 (spot rate)		July 31, 2020 (spot rate)	
	Strengthening	Weakening	Strengthening	Weakening
USD (5% movement)	$ 1.40	$ 1.27	$ 1.41	$ 1.27
USD (10% movement)	1.46	1.20	1.47	1.21
Impact: Profit and Loss				
USD (5% movement)	45,099	(45,099)	36,869	(36,869)
USD (10% movement)	$ 90,197	$ (90,197)	$ 73,737	$ (73,737)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its term loans and convertible debentures.

Fair Value

As at October 31, 2020, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. The Company does not believe there would be any material movements as a result of changes in interest rates or foreign exchange rates.

Financial instruments measured at fair value on the statement of financial position are categorized into levels of the fair value hierarchy. The Company only has one financial instrument measured at fair value, cash, which is categorized into Level 1.