BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2019 AND 2018
(Presented in Canadian Dollars)
(Unaudited)

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(Unaudited)

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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 and nine months ended April 30, 2019 and 2018 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 consolidated financial statements have been fairly presented.

Auditor's 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 and nine months ended April 30, 2019 and 2018 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 APRIL 30, 2019 AND JULY 31, 2018
(Presented in Canadian Dollars)

	Note	April 30, 2019 (Unaudited)	July 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash		$ 1,217,657	$ 787,830
Short term investments	4	33,790	-
Accounts receivable		647,876	408,827
Prepaids and other assets		36,350	33,449
Investment tax credits refundable		80,914	398,032
Unbilled revenue	5	10,278	11,640
Work in process	5	5,479	-
Total Current Assets		2,032,344	1,639,778
Non-Current Assets			
Equipment	6	59,653	44,731
Intangibles	7	266,152	351,547
Total Assets		$ 2,358,149	$ 2,036,056
LIABILITIES AND (DEFICIENCY) EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	8	$ 478,251	$ 668,711
Short term debt	9	249,890	-
Deferred revenue	5	1,334,100	350,503
Term loans - current portion	10	222,804	653,165
Total Current Liabilities		2,285,045	1,672,379
Non-Current Liabilities			
Term loans	10	385,082	142,256
Convertible debentures	11	1,619,832	-
Deferred taxes		216,831	94,196
Total Liabilities		4,506,790	1,908,831
Commitments	12		
(Deficiency) Equity			
Share capital		2,825,980	2,737,973
Contributed surplus		1,943,077	1,293,813
Deficit		(6,917,698)	(3,904,561)
Total (Deficiency) Equity		(2,148,641)	127,225
Total Liabilities and (Deficiency) Equity		$ 2,358,149	$ 2,036,056

Approved on Behalf of the Board

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

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

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED APRIL 30, 2019 AND 2018
(Presented in Canadian Dollars)
(Unaudited)

	Note	2019	2018
REVENUE			
Subscriptions and support		$ 356,274	$ 283,038
Services		605,954	609,679
Interest		6,744	4,641
		968,972	897,358
COST OF SALES			
Subscriptions and support	16	103,673	95,174
Services	16	289,910	358,100
		393,583	453,274
GROSS PROFIT		575,389	444,084
EXPENSES			
Sales and marketing	16	482,746	294,057
General and administrative	16	370,923	300,659
Research and development	16	277,220	410,909
Interest and bank charges		137,953	18,247
Share-based payments	14	70,380	377,716
Amortization of intangible assets		28,465	37,139
Amortization of equipment		4,126	3,318
Total Expenses		1,371,813	1,442,045
LOSS BEFORE TAXES		(796,424)	(997,961)
Deferred income tax recovery		(4,947)	-
Total Income Taxes		(4,947)	-
NET LOSS AND COMPREHENSIVE LOSS		$ (791,477)	$ (997,961)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$ (0.01)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		75,251,848	55,178,536

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE NINE MONTHS ENDED APRIL 30, 2019 AND 2018
(Presented in Canadian Dollars)
(Unaudited)

	Note	2019	2018
REVENUE			
Subscriptions and support		$ 942,577	$ 773,475
Services		1,744,612	1,667,849
Interest		18,236	10,966
		2,705,425	2,452,290
COST OF SALES			
Subscriptions and support	16	338,222	253,405
Services	16	991,740	893,688
		1,329,962	1,147,093
GROSS PROFIT		1,375,463	1,305,197
EXPENSES			
Sales and marketing	16	1,677,469	656,406
General and administrative	16	1,277,177	925,569
Research and development	16	865,985	1,099,846
Share-based payments	14	282,746	716,789
Interest and bank charges		200,308	58,480
Amortization of intangible assets	7	85,395	111,417
Amortization of equipment	6	11,182	7,530
Total Expenses		4,400,262	3,576,037
LOSS BEFORE TAXES		(3,024,799)	(2,270,840)
Deferred income tax recovery		(11,662)	-
Total Income Taxes		(11,662)	-
NET LOSS AND COMPREHENSIVE LOSS		$ (3,013,137)	$ (2,270,840)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$ (0.04)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		74,935,276	49,761,993

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
FOR THE NINE MONTHS ENDED APRIL 30, 2019 AND 2018
(Presented in Canadian Dollars)
(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Deficit	Total Equity (Deficiency)
Balance - August 1, 2017		32,593,000	$ 774,883	$ 336,551	$ (554,630)	$ 556,804
Common shares and warrants issued in private placement	13	24,444,433	1,300,000	-	-	1,300,000
Transaction costs related to common shares and warrants	13	-	(36,488)	(37,097)	-	(73,585)
Warrants reallocation	15	-	(544,444)	544,444	-	-
Warrants exercised		72,320	5,529	(1,683)	-	3,846
Net loss		-	-	-	(2,270,840)	(2,270,840)
Share-based payments	14	-	-	716,789	-	716,789
Balance - April 30, 2018		57,109,753	$ 1,499,480	$ 1,559,004	$ (2,825,470)	$ 233,014
Balance - August 1, 2018		74,012,314	2,737,973	1,293,813	(3,904,561)	127,225
Net loss		-	-	-	(3,013,137)	(3,013,137)
Exercise of warrants	13, 15	1,239,534	88,007	(26,030)	-	61,977
Share-based payments	14	-	-	282,746	-	282,746
Equity portion of convertible debentures	11	-	-	366,050	-	366,050
Transaction costs related to convertible debentures	11	-	-	(8,502)	-	(8,502)
Warrants issued for settlement of accounts payable	15	-	-	35,000	-	35,000
Balance - April 30, 2019		75,251,848	$ 2,825,980	$ 1,943,077	$ (6,917,698)	$ (2,148,641)

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 NINE MONTHS ENDED APRIL 30, 2019 AND 2018
(Presented in Canadian Dollars)
(Unaudited)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (3,013,137)	$ (2,270,840)
Items not requiring an outlay of cash:		
Amortization of equipment	11,182	7,530
Amortization of intangibles	85,395	111,417
Share-based payments	282,746	716,789
Unrealized gain on foreign exchange	(12,651)	(8,901)
Accretion and accrued interest	150,928	5,166
Deferred income taxes	(11,662)	-
Changes in non-cash working capital:		
Accounts receivable	(239,049)	184,946
Prepaids and other assets	(2,901)	(16,048)
Work in process	(5,479)	5,984
Unbilled revenue	1,362	(74)
Investment tax credits refundable	317,118	44,617
Accounts payable and accrued liabilities	(155,460)	(26,905)
Deferred revenue	983,597	27,379
NET CASH USED IN OPERATING ACTIVITIES	(1,608,011)	(1,218,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term debt	249,890	-
Proceeds from common shares issued in private placement, net of transaction costs	-	1,230,262
Proceeds from exercise of warrants	61,977	-
Proceeds from convertible debentures, net of transaction costs	1,966,014	-
Repayment of term loans	(192,800)	(201,123)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,085,081	1,029,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short term investments	(33,790)	-
Purchase of equipment	(26,104)	(23,661)
NET CASH USED IN INVESTING ACTIVITIES	(59,894)	(23,661)
NET INCREASE (DECREASE) IN CASH	417,176	(213,462)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	12,651	12,413
CASH, BEGINNING OF PERIOD	787,830	1,005,383
CASH, END OF PERIOD	$ 1,217,657	$ 804,334

SUPPLEMENTAL CASH FLOW INFORMATION:

	2019	2018
Interest paid	$ 49,379	$ 53,314
Income taxes paid	$ -	$ -
Warrants issued for settlement of accounts payable	$ 35,000	$ -

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. 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 2018 annual financial statements.

These financial statements were authorized by the Board of Directors on June 27, 2019.

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 nine months ended April 30, 2019 of $3,013,137 and has an accumulated deficit of $2,148,641 as at April 30, 2019 (July 31, 2018 total equity position - $127,225). 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. 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.

Going Concern (Continued)

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 transition to the SaaS model, sales efforts, the progress of IndiVideo's R&D, the state of the capital markets generally, strategic partnership agreements, and other relevant commercial considerations. 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of New and Amended Standards

(a) IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 "Financial Instruments – Recognition and Measurement" for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely. In addition, IFRS 9 added a single, forward-looking "expected loss" impairment model for financial assets, including trade receivables, which means it is no longer necessary for a triggering event to occur before an impairment loss is recognized. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss).

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company adopted IFRS 9 on August 1, 2018 and it had a nominal impact on the Company's disclosures.

(a) IFRS 15, Revenue From Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15 which supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers*, and SIC 31 *Revenue – Barter Transactions Involving Advertising Services*. Under IFRS 15, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. This standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New and Amended Standards (Continued)

The Company adopted IFRS 15 in the first quarter of the fiscal year beginning August 1, 2018 using the modified retrospective method. Under this transition method, the Company elected to apply IFRS 15 retrospectively only to contracts that were not completed contracts at August 1, 2018, the date of initial application. The initial application of IFRS 15 did not have any material cumulative effect on the Company's opening consolidated statement of financial position at August 1, 2018.

Revenue Recognition

The Company generates revenue from two sources: (1) subscription revenues, which are comprised of subscription fees from customers accessing the Company's SaaS based marketing and sales enablement platforms, and (2) professional services, including technological, graphical and consultative services related to the creation of rich media marketing solutions. Revenue is recognized when the promised services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation. If the consideration promised in a contract includes a variable amount, for example, fees for excess bandwidth usage, contingent fees or service level penalties, the Company includes an estimate of the amount it expects to receive for the total transaction price if it is probable that a significant reversal of cumulative revenue recognized will not occur.

The Company determines the amount of revenue to be recognized through application of the following five-step process:

i) Identification of the contract, or contracts with a customer;
ii) Identification of the performance obligations in the contract;
iii) Determination of the transaction price;
iv) Allocation of the transaction price to the performance obligations in the contract; and
v) Recognition of revenue when or as the Company satisfies the performance obligations.

Subscriptions

The Company offers a SaaS based marketing and sales enablement platform, which includes the development of personalized videos, delivery of in-depth customer analytics and conversion metrics and the provision of maintenance and support services over a defined term. Customers are offered a license to access the Company's platform and are billed on a subscription basis. Revenue is recognized when the promised services are transferred to customers, in an amount that reflects the consideration allocated to the respective performance obligation. Revenue related to services billed on a subscription basis is recognized ratably over the contract period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Professional services

The Company generates revenue from the creation of rich media marketing solutions. Each project requires a technological, graphical and consultative component. Professional services revenue is recognized on the basis of costs incurred relative to the total expected cost to satisfy the performance obligation (the "percentage of completion method"). The timing of revenue recognition may differ from contract payment schedules, resulting in revenue that has been earned but not billed. These amounts are included in unbilled revenue. Amounts billed in accordance with customer contracts, but not yet earned, are recorded and presented as part of deferred revenue.

Contract Costs

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.

Contract costs recognized as an asset are amortized ratably over the contract period, consistent with the transfer to the customer of the services to which the asset relates.

As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Convertible Debentures

The Company's convertible debentures are segregated into their debt and equity components or derivative liability components at the date of issue, in accordance with the substance of the contractual agreements.

The conversion feature of the convertible debentures is presumed to be classified as a derivative financial liability unless it meets all the criteria to recognize as equity instrument under IAS 32, Financial Instruments: Presentation. One of the criteria is that the conversion option exchanges a fixed number of shares for a fixed amount of cash ("fixed for fixed").

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible Debentures (Continued)

If the conversion feature meets the fixed for fixed criteria, the conversion option will be classified as equity components. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of the convertible debentures is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, as a whole, the amount separately determined for the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognizing the components of the instrument separately.

If the conversion feature does not meet the fixed for fixed criteria, the conversion option will be recorded as a derivative financial liability, which must be separately accounted for at fair value on initial recognition. The carrying amount of the debt component, on initial recognition, is recalculated as the difference between the proceeds of the convertible debentures, as a whole, and the fair value of the derivative financial liabilities. Subsequent to initial recognition, the derivative financial liability is remeasured at fair value at the end of each reporting period with changes in fair value recognized in the statement of operation for each reporting period, while the debt component is accreted to the face value of the debt using the effective interest method.

Transaction costs are allocated to the debt and equity components or derivative liability components in proportion to the allocation of the proceeds on initial recognition. Transaction costs allocated to equity components will be accounted for as a deduction from equity, net of any related income tax benefit; cost allocated to the derivative financial liability component are expensed; and cost allocated to the debt component are offset against the carrying amount of the liability and included in the determination of the effective interest rate.

Critical Accounting Estimates and Judgments

Preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different.

Certain estimates depend on subjective or complex judgments about matters that may be uncertain and changes in these estimates could materially impact the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

The key sources of estimation uncertainty at statement of financial position date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next fiscal year, are discussed below, in addition to those discussed in the Company's audited consolidated financial statements for the year ended July 31, 2018 and 2017:

Revenue Recognition

The Company's contracts with customers often include promises to transfer multiple services. In determining how revenue should be recognized, a five-step process is used, which requires judgment and estimates. These judgments and estimates include identifying performance obligations in the contract, determining whether the performance obligations are distinct, determining the stand-alone selling price ("SSP") for each distinct performance obligation, determining the timing of revenue recognition for distinct performance obligations and estimating the amount of variable consideration to include in the transaction price.

In assessing whether the Company's promises to transfer services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those services individually or, instead, to transfer a combined item or items to which the promised services are inputs. To the extent that the promised services are highly interrelated, those services are considered not distinct and accounted for as single, combined performance obligation. Judgment is required to determine whether the services transferred to a customer are considered distinct and accounted for separately, or not distinct and accounted for together with the related subscription for licensing, customer analytics and support recognized over time.

Expected Credit Losses ("ECLs")

The Company performs impairment testing annually for accounts receivable in accordance with IFRS 9. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis. IFRS 9 outlines a three-stage approach to recognizing ECLs which is intended to reflect the increase in credit risks of a financial instrument based on 1) 12-month expected credit losses or 2) lifetime expected credit losses. The Company measures provision for ECLs at an amount equal to lifetime ECLs. The Company applies the simplified approach to determine ECLs on trade receivables by using a provision matrix based on historical credit loss experiences. The historical results were used to calculate the run rates of default which were then applied over the expected life of the trade receivables, adjusted for forward looking estimates.

(Presented in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments (Continued)

Convertible Debentures

Convertible debentures are compound financial instruments which components are accounted for separately as financial liabilities or equity instruments. The financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires management judgment. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

4. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of $33,790 which bear interest at an annual interest rate of 2% and mature on October 31, 2019. The GICs were obtained as letters of credit for financing received as discussed in note 9.

5. CONTRACT COSTS AND REVENUES

	Nine months ended April 30, 2019	Nine months ended April 30, 2018
Costs incurred on contracts in progress	$ 153,243	$ 80,857
Profits recognized on contracts in progress	331,687	168,708
Progress billings	(1,803,273)	(410,433)
	(1,318,343)	(160,868)
Presented as:		
Work in process	5,479	-
Unbilled revenue	10,278	30,759
Deferred revenue	$ (1,334,100)	$ (191,627)

(Presented in Canadian Dollars)

6. EQUIPMENT

The components of equipment are as follows as of April 30, 2019:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2018	$ 76,256	$ 131,481	$ 207,737
Additions	12,550	13,554	26,104
Disposals	-	-	-
Closing balance - April 30, 2019	$ 88,806	$ 145,035	$ 233,841

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2018	$ 62,337	$ 100,669	$ 163,006
Amortization	2,811	8,371	11,182
Closing balance - April 30, 2019	$ 65,148	$ 109,040	$ 174,188

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2018	$ 13,919	$ 30,812	$ 44,731
Balance - April 30, 2019	$ 23,658	$ 35,995	$ 59,653

7. INTANGIBLES

The components of internally generated intangible assets are as follows as of April 30, 2019:

Cost	
Opening balance - August 1, 2018	$ 569,292
Additions	-
Disposals	-
Closing balance - April 30, 2019	$ 569,292

(Presented in Canadian Dollars)

7. INTANGIBLES (Continued)

Accumulated Amortization		
Opening balance - August 1, 2018	$	217,745
Amortization		85,395
Closing balance - April 30, 2019	$	303,140

Carrying Value		
Balance - August 1, 2018	$	351,547
Balance - April 30, 2019	$	266,152

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		April 30, 2019		**July 31, 2018**
Trade accounts payable	$	71,442	$	79,152
Accrued liabilities		25,050		204,919
Accrued vacation payable and other employee benefits		185,112		195,814
Government remittances payable		25,097		32,426
Customer deposits		171,550		156,400
	$	478,251	$	668,711

9. SHORT TERM DEBT

During the nine months ended April 30, 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 $249,890, being $118,520 for the 2018 SRED claim and $131,370 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.

(Presented in Canadian Dollars)

9. SHORT TERM DEBT (Continued)

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.

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 $33,790 ($17,240 and $16,550 for the 2018 and 2019 advances, respectively) with one year GICs at 2%. These GICs mature on October 31, 2019, however the Company will renew the GICs to maintain them in accordance with the required maturity dates of the advances.

10. TERM LOANS

	April 30, 2019	July 31, 2018
Investissement Quebec (i)	$ 433,322	$ 583,325
Business Development Bank of Canada (ii)	187,520	226,940
	620,842	810,265
Transaction costs	(12,956)	(14,844)
Current portion	(222,804)	(653,165)
	$ 385,082	$ 142,256

10. TERM LOANS (Continued)

(i) In June and July 2015 the Company received a term loan from 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 $16,665 plus interest are due until May 2021 (59 months), with the final payment of $16,765 due June 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. In addition, the Company is required to maintain two financial covenants relating to this term loan. As of July 31, 2018, the Company was offside on both financial covenants. 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 and subsequent to July 31, 2018. However, since the waiver was received subsequent to July 31, 2018, the long-term portion of this loan is classified in the current portion as at July 31, 2018.

(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. Monthly principal payments of $1,000 plus interest are due from February 2019 to July 2020, thereafter monthly principal payments of $9,300 plus interest are due until May 2021, with the final payment of $9,640 due in June 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. Monthly principal payments of $500 plus interest are due from February 2019 to January 2020, thereafter monthly principal payments of $2,100 plus interest are due until July 2022, with the final payment of $2,380 due in August 2022.

(Presented in Canadian Dollars)

10.TERM LOANS (Continued)

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

2019 (Three months)	$	54,501
2020		227,604
2021		311,157
2022		25,200
Thereafter		2,380
	$	620,842

11.CONVERTIBLE DEBENTURES

		April 30, 2019		July 31, 2018
Principal amount	$	2,000,000	$	-
Equity component on initial recognition		(500,347)		-
Accretion		45,663		-
Transaction costs		(25,484)		-
Accrued interest		100,000		-
	$	1,619,832	$	-

On October 31, 2018, the Company issued convertible debentures (the "Debentures") 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.

(Presented in Canadian Dollars)

11. CONVERTIBLE DEBENTURES (Continued)

- 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 to convert the then outstanding principal of the Debentures 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 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 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 is 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.

Management has concluded that the conversion feature of the Debentures meets the fixed for fixed criteria and should therefore be presented as an equity instrument in accordance with IAS 32. The debt component of the Debentures was measured at fair value on 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 16.5%. 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 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.

Scheduled interest payments under the Debentures are due as follows:

2019 (three months)	$	-
2020		150,000
2021		200,000
2022		200,000
2023		200,000
Thereafter		250,000
	$	1,000,000

(Presented in Canadian Dollars)

12.COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	$	136,961
Two to five years		325,593
More than five years		-
	$	462,554

Investor Relation Agreement

The Company entered into an agreement with Bay Street Communications ("BSC") who will provide investor relation services to the Company. Effective November 15, 2018, the Company will pay monthly payments of $4,000 to BSC. The term is open-ended and may be terminated by the Company or BSC with written notice.

13.SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 75,251,848 common shares issued and outstanding as at April 30, 2019 (74,012,314 as at July 31, 2018).

During the nine months ended April 30, 2019, warrant holders exercised 1,239,534 warrants at $0.05 for total gross proceeds of $61,977.

On October 19, 2017, the Company closed a non-brokered private placement and issued:

- 19,999,992 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.05 for a period of 24 months from the date of issuance.

- 4,444,441 units at a price of $0.0675 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.0675 for a period of 24 months from the date of issuance.

The value of the warrants was estimated at $544,444 using the relative fair value approach, as discussed in note 15, and was reallocated from share capital to contributed surplus.

Transaction costs of $73,585 were incurred related to the above private placement where $36,488 was deducted from share capital and $37,097 was deducted from contributed surplus relating to the warrants.

(Presented in Canadian Dollars)

14. SHARE-BASED PAYMENTS

A summary of the status of the Company's stock options as at April 30, 2019 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2019			Nine months ended April 30, 2018		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding - beginning of period	10,875,000	$	0.12	1,375,000	$	0.15
Granted	1,030,000		0.11	8,500,000		0.12
Exercised	-		-	-		-
Expired	(150,000)		0.15	-		-
Outstanding - end of period	11,755,000	$	0.12	9,875,000	$	0.12
Exercisable - end of period	8,097,078	$	0.12	6,625,000	$	0.12

The weighted average remaining contractual life of stock options as of April 30, 2019 is 3.67 years (July 31, 2018 - 4.44 years).

The Company had the following stock options outstanding as of April 30, 2019:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
1,225,000	1,225,000	0.15	May 10, 2022	3.03
3,500,000	3,500,000	0.10	December 11, 2022	3.62
1,500,000	687,500	0.17	January 29, 2023	3.75
1,750,000	812,498	0.125	March 1, 2023	3.84
1,750,000	1,750,000	0.12	March 6, 2023	3.85
1,000,000	-	0.10	July 30, 2023	4.25
50,000	10,415	0.15	November 15, 2023	4.55
200,000	41,665	0.20	November 15, 2020	1.55
280,000	70,000	0.105	December 14, 2020	1.63
500,000	-	0.080	February 1, 2024	4.76
11,755,000	8,097,078			

14.SHARE-BASED PAYMENTS (Continued)

On December 11, 2017, the Company granted 3,500,000 stock options to certain officers and directors. Each stock option is exercisable into common shares of the Company at an exercise price of $0.10 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

On January 29, 2018, the Company granted 1,500,000 stock options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.17. 500,000 options vest on January 29, 2019 and thereafter 62,500 options vest monthly until May 2020. The options expire in five years from the date of grant.

On March 1, 2018, the Company granted 1,500,000 stock options to employees of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.125. 500,000 options vest on March 1, 2019 and thereafter 62,500 options vest monthly until July 2020. The options expire in five years from the date of grant.

On March 1, 2018, the Company granted 250,000 stock options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.125. These options vest on March 1, 2019. The options expire in five years from the date of grant.

On March 6, 2018, the Company granted 1,750,000 stock options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.12 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

On July 30, 2018, the Company granted 1,000,000 stock options to an officer of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.10. 333,333 options vest on July 30, 2019 and thereafter 41,666 options vest monthly until November 2020. The options expire in five years from the date of grant.

On November 15, 2018, the Company granted 50,000 stock options to an officer of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.15 and vest monthly over a period of 24 months. The options expire in five years from the date of grant and are subject to a four month hold.

On November 15, 2018, the Company granted 200,000 stock options to BSC who will provide investor relation services to the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.20 and vest monthly over a period of 24 months. The options expire in 24 months from the date of grant and are subject to a four month hold.

14. SHARE-BASED PAYMENTS (Continued)

On December 14, 2018, and as part of a consulting agreement entered into with an arm's length consultant, the Company will grant to the consultant 280,000 stock options. Each stock option is exercisable into common shares of the Company at an exercise price of $0.105 and vest quarterly over a period of 12 months. The options expire in 24 months from the date of grant.

On February 1, 2019, the Company granted 500,000 stock options to directors of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.08. 166,666 options vest on February 1, 2020. Following this, 13,888 options vest monthly between March 1, 2020 and March 1, 2021, followed by 13,890 options vesting monthly between April 1, 2021 and February 1, 2022. The options expire in five years from the date of grant and are subject to a four month hold.

The estimated fair value of the stock options granted for the nine months ended April 30, 2019 was estimated at values between $0.04 to $0.12 by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility between 97% to 126%; risk free interest rate between 1.55% to 2.10%; forfeiture rate of 0%, share price between $0.08 to $0.14; and expected life of two or five years.

Share-based payments for all vested options for the three and nine months ended April 30, 2019 was $70,380 and $282,746, respectively (three and nine months ended April 30, 2018 - $377,716 and $716,789, respectively), which was credited to contributed surplus and expensed to share-based payments.

15. SHARE PURCHASE WARRANTS

On October 19, 2017 the Company issued 19,999,992 units at a price of $0.05 per unit for gross proceeds of $1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.05 for a period of 24 months from the date of issuance. The fair value of these warrants, as of the grant date, was estimated to be $420,000 using the relative fair value approach. The relative fair value was estimated with inputs included in the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 122%; market price of $0.10; risk free interest rate of 1.49%; and expected life of two years.

(Presented in Canadian Dollars)

15. SHARE PURCHASE WARRANTS (Continued)

On October 19, 2017 the Company issued 4,444,441 units at a price of $0.0675 per unit for gross proceeds of $300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of $0.0675 for a period of 24 months from the date of issuance. The fair value of these warrants, as of the grant date, was estimated to be $124,444 using the relative fair value approach. The relative fair value was estimated with inputs included in the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 122%; market price of $0.10; risk free interest rate of 1.49%; and expected life of two years.

On December 14, 2018, and as part of a consulting agreement entered into with an arm's length consultant, the Company issued 320,000 warrants to settle accounts payable of $35,000. Each warrant entitles the holder thereof to acquire a common share at a price of $0.105 for a period of 24 months from the date of issuance.

During the nine months ended April 30, 2019, warrant holders exercised 1,239,534 warrants at $0.05 for total gross proceeds of $61,977. As a result, $26,030 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 exercise was $0.12.

A summary of the status of the Company's warrants as at April 30, 2019 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2019		Nine months ended April 30, 2018	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Outstanding - beginning of period	7,469,552	$ 0.053	-	$ -
Granted	320,000	0.105	24,444,433	0.053
Exercised	(1,239,534)	0.050	(72,320)	0.053
Expired	-	-	-	-
Outstanding - end of period	6,550,018	$ 0.058	24,372,113	$ 0.053

(Presented in Canadian Dollars)

15.SHARE PURCHASE WARRANTS (Continued)

The Company had the following warrants outstanding as at April 30, 2019:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
4,362,828	4,362,828	0.05	October 19, 2019	0.47
1,867,190	1,867,190	0.0675	October 19, 2019	0.47
320,000	320,000	0.105	November 14, 2020	1.55
6,550,018	6,550,018			

16.EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

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

	Three months ended April 30, 2019	Nine months ended April 30, 2019	Three months ended April 30, 2018	Nine months ended April 30, 2018
Salaries and benefits	$ 49,102	$ 160,793	$ 26,676	$ 49,992
Hosting expense	35,215	119,637	43,851	134,223
Subcontracting	19,356	57,792	24,647	69,190
	$ 103,673	$ 338,222	$ 95,174	$ 253,405

(Presented in Canadian Dollars)

16. EXPENSES BY NATURE (Continued)

Cost of Sales - Services

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

	Three months ended April 30, 2019	Nine months ended April 30, 2019	Three months ended April 30, 2018	Nine months ended April 30, 2018
Salaries and benefits	$ 210,908	$ 711,158	$ 247,204	$ 692,052
Subcontracting	62,511	222,098	83,299	142,809
Other production costs	16,491	57,084	18,786	46,266
Camera and teleprompter	-	1,400	5,033	8,723
Talent	-	-	3,778	3,838
	$ 289,910	$ 991,740	$ 358,100	$ 893,688

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended April 30, 2019	Nine months ended April 30, 2019	Three months ended April 30, 2018	Nine months ended April 30, 2018
Salaries and benefits	$ 348,215	$ 1,192,078	$ 71,727	$ 185,954
Advertising and promotion	71,676	299,479	132,592	247,167
Travel	43,706	138,706	35,976	80,950
Meals and entertainment	8,901	36,958	5,959	18,161
Subcontracting	10,248	10,248	47,803	124,174
	$ 482,746	$ 1,677,469	$ 294,057	$ 656,406

(Presented in Canadian Dollars)

16. EXPENSES BY NATURE (Continued)

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended April 30, 2019	Nine months ended April 30, 2019	Three months ended April 30, 2018	Nine months ended April 30, 2018
Salaries and benefits	$ 193,587	$ 581,253	$ 111,015	$ 356,592
Professional fees	40,740	204,460	51,953	124,267
Rent and occupancy costs	49,714	164,524	59,102	153,871
Computer and software	43,178	107,368	24,102	53,033
Consulting	(847)	79,932	21,000	106,844
Training and recruitment	19,805	45,192	3,393	34,271
Office and general	7,850	37,472	23,234	42,665
Telecommunications	9,793	33,802	18,377	40,226
Stock exchange expense	9,512	17,563	1,699	6,864
Insurance	7,519	17,370	6,338	17,061
Foreign exchange	(9,928)	(11,759)	(19,554)	(10,125)
	$ 370,923	$ 1,277,177	$ 300,659	$ 925,569

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended April 30, 2019	Nine months ended April 30, 2019	Three months ended April 30, 2018	Nine months ended April 30, 2018
Salaries and benefits	$ 331,350	$ 861,631	$ 350,706	$ 940,103
Subcontracting	41,464	99,948	60,203	159,743
ITC claim	77,119	77,119	-	-
IRAP claim	(172,713)	(172,713)	-	-
	$ 277,220	$ 865,985	$ 410,909	$ 1,099,846

(Presented in Canadian Dollars)

17.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 and nine months ended April 30, 2019 and 2018, were all paid to key management personnel and were as follows:

	Three Months Ended April 30, 2019	Three Months Ended April 30, 2018	Nine Months Ended April 30, 2019	Nine Months Ended April 30, 2018
Salaries and benefits	$ 245,750	$ 149,782	$ 799,550	$ 379,705
Professional fees	-	12,500	-	37,500
Transaction costs	-	6,000	-	14,000
Share-based payments (i)	43,938	309,686	134,001	647,807
	$ 289,688	$ 477,968	$ 933,551	$ 1,079,012

i) Share-based payments for officers/directors is comprised of the vested value of stock options expensed during the three and nine months ended April 30, 2019 and 2018.

18.FINANCIAL INSTRUMENTS

Credit Risk

BlueRush 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. Management regularly reviews the credit terms and collectability of accounts and for the nine months ended April 30, 2019 has recorded a provision for ECLs of $Nil (nine months ended April 30, 2018 - $Nil).

(Presented in Canadian Dollars)

18. FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

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

	April 30, 2019	July 31, 2018
Current	$ 475,395	$ 323,191
Past due less than 90 days	130,030	62,286
Past due greater than 90 days	42,451	23,350
Less: Allowance for doubtful accounts	-	-
	$ 647,876	$ 408,827

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. 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 and its term loans which are repayable in various monthly instalments as discussed in note 10. 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 April 30, 2019, the Company had cash on hand of $1,217,657 and accounts receivable of $647,876 to meet working capital requirements.

Management expects that its capital resources will be sufficient to fund its ongoing liabilities as they come due.

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.

18.FINANCIAL INSTRUMENTS (Continued)

Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Consequently, some assets, liabilities, revenues and purchases are exposed to foreign exchange fluctuations. As at April 30, 2019, cash, accounts receivable and accounts payable of $419,212, $195,672 and $Nil (July 31, 2018 - $226,574, $21,593 and $Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.34 (July 31, 2018 - 1.30). For the nine months ended April 30, 2019, the Company recognized a gain on foreign exchange of $11,759 (nine months ended April 30, 2018 - loss of $9,429) as a result of the appreciation / depreciation of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in and increase or decrease in net earnings of approximately $41,145.

Interest Rate Risk

Interest rate risk is the risk that 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 April 30, 2019, 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.

19.SUBSEQUENT EVENTS

Issuance of Warrants

On May 15, 2019, the Company issued 50,000 warrants as compensation for consulting services to be provided to the Company. The issuance of these warrants are subject to approval by the TSX Venture Exchange. Each warrant entitles the holder thereof to acquire a common share at a price of $0.085 for a period of 24 months from the date of issuance.

19.SUBSEQUENT EVENTS (Continued)

Issuance of Stock Options

On June 12, 2019, the Company granted 1,300,000 stock options to employees and officers of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.085 and vest as follows:

- 25,000 options vest on June 12, 2019;
- Approximately 2,083 options vest monthly from July 12, 2019 until June 12, 2020;
- 408,331 options vest on June 12, 2020;
- Approximately 36,107 options vest monthly from July 12, 2020 until June 12, 2021; and
- Approximately 34,024 options vest monthly from July 12, 2021 until June 12, 2022.

The options expire in five years from the date of grant and are subject to a four month hold.

SRED Bridge Loans

Subsequent to the period end, the Company received additional advances from IQ in the amount of $34,130 secured against the 2019 SRED claim. For details on the terms of these advances, see note 9.

CanExport Grant

On May 12, 2019, the Company received a government grant, CanExport, in relation to European IndiVideo efforts, in the amount of $26,268 from the National Research Council of Canada. This funding is a reimbursement of previously incurred expenses.

20. COMPARATIVE FIGURES

Share-based payments

The Company utilizes the Black-Scholes option pricing model to calculate the fair value of stock options granted. For the nine months ended April 30, 2018, the Company issued 8,500,000 options. The comparative figures for the nine months ended April 30, 2018 changed as follows:

- 3,500,000 options were granted on December 11, 2017 to officers of the Company and had Black-Scholes inputs during the nine months ended April 30, 2018 of: share price of $0.05, expected dividend yield of 0%; expected volatility of 118%; risk free interest rate of 1.55% and a forfeiture rate of 0% which valued the options at $0.04, resulting in a share-based payment expense of $131,159. During the year ended July 31, 2018 procedures, the Company updated these assumptions to: share price of $0.105; expected dividend yield of 0%; expected volatility of 154%; risk free interest rate of 1.67% and a forfeiture rate of 0% to value the options at $0.10, resulting in a share-based payment expense of $338,120.

- 1,500,000 options were granted to an employee of the Company on January 29, 2018, and were subsequently valued as part of the same year end procedures with an associated vested expense of $42,407 and $43,360 for the three and nine months ended April 30, 2018, respectively.

- 1,750,000 options were granted to employees of the Company on March 1, 2018, and were subsequently valued as part of the same year end procedures with an associated vested expense of $25,622 for the nine months ended April 30, 2018.

- 1,750,000 options were granted on March 6, 2018 to a director of the Company and had Black-Scholes inputs during the nine months ended April 30, 2018 of: share price of $0.05, expected dividend yield of 0%; expected volatility of 118%; risk free interest rate of 1.55% and a forfeiture rate of 0% which valued the options at $0.04, resulting in a share-based payment expense of $63,759. During the year ended July 31, 2018 procedures, the Company updated these assumptions to: share price of $0.19; expected dividend yield of 0%; expected volatility of 151%; risk free interest rate of 2.04% and a forfeiture rate of 0% to value the options at $0.18, resulting in a share-based payment expense of $309,687.

As a result, the comparative figures for share-based payments expense has been restated to reflect the actual vested value of stock options expensed. Share-based payments expense for the three and nine months ended April 30, 2018 was increased to $377,716 and $716,789 from $63,759 and $194,918, respectively, as previously reported in the statements of operations.

(Presented in Canadian Dollars)

20.COMPARATIVE FIGURES (Continued)

Revenues

The prior period revenue figures have been restated and reclassified to reflect the current quarter's presentation as follows:

	Nine months ended April 30, 2018	
	New Presentation	Former Presentation
Subscriptions and support	$ 773,475	$ 810,143
Services	1,667,849	1,622,848
Interest	10,966	10,966
	$ 2,452,290	$ 2,443,957

Expenses

The prior period expense figures have been reclassified to reflect the current quarter's presentation as follows:

	Three months ended April 30, 2018		Nine months ended April 30, 2018	
	New Presentation	Former Presentation	New Presentation	Former Presentation
Cost of sales - subscriptions and support	$ 95,174	$ 51,872	$ 253,405	$ 210,106
Cost of sales - services	358,100	393,164	893,688	928,808
General and administrative	300,659	300,659	925,569	925,441
Research and development	410,909	419,147	1,099,846	1,108,153
	$ 1,164,842	$ 1,164,842	$ 3,172,508	$ 3,172,508