BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2021 AND 2020
(Presented in Canadian Dollars)
(Unaudited)

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2021 AND 2020

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, 2021 and 2020 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, 2021 and 2020 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, 2021 AND JULY 31, 2021
(Presented in Canadian Dollars)

	Note		October 31, 2021 (Unaudited)		July 31, 2021 (Audited)
ASSETS					
Current Assets					
Cash		$	1,390,036	$	2,141,018
Short term investments	3		17,007		16,997
Accounts receivable, net of ECL	18		1,446,784		730,351
Prepaids and other assets			225,048		121,839
Investment tax credits refundable			341,012		372,241
Unbilled revenue			18,687		18,687
Contract costs			25,773		25,773
Total Current Assets			3,464,349		3,426,906
Non-Current Assets					
Equipment	4		79,891		82,040
Right-of-use assets	5		92,121		124,170
Intangibles	6		-		16,698
Contract costs			19,330		25,773
Total Assets		$	3,655,691	$	3,675,587
LIABILITIES AND DEFICIT					
Current Liabilities					
Accounts payable and accrued liabilities	7	$	1,883,819	$	1,641,196
Contract liabilities	8		1,731,539		979,962
Term loans - current portion	9		169,459		257,359
Lease liabilities - current portion	10		90,069		124,384
Provision			42,703		42,702
Total Current Liabilities			3,917,589		3,045,603
Non-Current Liabilities					
Term loans	9		5,113		11,414
Lease liabilities	10		-		214
Convertible debentures	11		738,847		728,799
Deferred taxes			-		1,853
Total Liabilities			4,661,550		3,787,883
Shareholders' Deficit					
Share capital			8,405,697		8,403,731
Contributed surplus			4,761,594		4,672,262
Accumulated deficit			(14,173,149)		(13,188,289)
Total Shareholders' Deficit			(1,005,858)		(112,296)
Total Liabilities and Shareholders' Deficit		$	3,655,691	$	3,675,587

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 LOSS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2021 AND 2020
(Presented in Canadian Dollars)
(Unaudited)

	Note	2021	2020
REVENUE			
Subscriptions and support	16	$ 538,723	$ 480,837
Services	16	571,356	355,674
		1,110,078	836,511
COST OF SALES			
Subscriptions and support		51,610	87,667
Services		262,757	278,791
		314,367	366,458
GROSS PROFIT		795,711	470,053
EXPENSES			
Salaries and benefits		1,148,362	750,234
Contractor and consulting fees		163,685	64,775
Share-based payments		90,298	32,087
General and administrative		111,184	72,056
Information technology		64,916	29,212
Sales and marketing		49,446	68,532
Amortization of equipment and right-of-use assets	4,5	39,153	35,595
Interest and finance charges		36,411	141,420
Investor relations		29,804	-
Amortization of intangible assets	6	23,141	27,439
Research and development		13,854	6,966
Travel and meals		13,468	2,291
Foreign exchange loss		12,815	9,444
Total Expenses		1,796,536	1,240,052
LOSS FROM OPERATIONS		(1,000,826)	(769,999)
Other income	15	13,399	184,765
LOSS FROM OPERATIONS BEFORE TAXES		(987,427)	(585,235)
Deferred income taxes		2,566	9,855
NET LOSS AND COMPREHENSIVE LOSS		(984,861)	(575,380)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$ (0.006)	$ (0.007)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		162,056,711	78,366,242

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, 2021 AND 2020
(Presented in Canadian Dollars)
(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Accumulated Deficit	Total Shareholders' Deficit
Balance - August 1, 2020		78,366,242	3,042,490	2,180,090	(9,059,718)	(3,837,138)
Share-based payments	13	-	-	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)
Balance - August 1, 2021		162,056,711	8,403,731	4,672,262	(13,188,289)	(112,296)
Exercise of stock options		10,000	1,966	(966)	-	1,000
Share-based payments	13	-	-	90,298	-	90,298
Net loss		-	-	-	(984,861)	(984,861)
Balance - October 31, 2021		162,066,711	$ 8,405,697	$ 4,761,594	$ (14,173,149)	$ (1,005,859)

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, 2021 AND 2020
(Presented in Canadian Dollars)
(Unaudited)

	Note		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES					
Net loss and comprehensive loss		$	(984,861)	$	(575,380)
Items not requiring an outlay of cash:					
Depreciation of equipment and right-of-use assets	4,5		39,153		35,595
Amortization of intangible assets	6		23,141		27,439
Share-based payments	13		90,298		32,087
Accretion and accrued interest			13,227		62,201
Deferred income taxes			(2,566)		(9,855)
Changes in non-cash working capital:					
Accounts receivable			(716,433)		(1,554)
Prepaids and other assets			(103,209)		(6,037)
Work in process			-		(7,016)
Unbilled revenue			-		47,121
Contract costs			-		(77,319)
Investment tax credits refundable			31,229		-
Accounts payable and accrued liabilities			242,623		179,075
Income tax provision and deferred taxes			-		(24,963)
Contract liabilities			751,577		56,291
NET CASH USED IN OPERATING ACTIVITIES			(615,821)		(262,314)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of lease liabilities	10		(37,004)		(36,104)
Proceeds from exercise of stock options	13		1,000		-
Repayment of term loans	9		(94,200)		(12,200)
NET CASH USED IN FINANCING ACTIVITIES			(130,204)		(48,304)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment	4		(4,956)		(18,155)
NET CASH USED IN INVESTING ACTIVITIES			(4,956)		(18,155)
NET DECREASE IN CASH			(750,981)		(328,773)
CASH, BEGINNING OF PERIOD			2,141,018		1,343,953
CASH, END OF PERIOD		$	1,390,036	$	1,015,180
SUPPLEMENTAL CASH FLOW INFORMATION:					
Interest paid		$	23,888	$	78,785
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 2021 annual financial statements.

These financial statements were authorized by the Board of Directors on January 2, 2022.

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 a net and comprehensive loss during the three months ended October 31, 2021 of $984,861 and has an accumulated deficit of $14,173,149 as at October 31, 2021 (July 31, 2021 - $13,188,289). 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, 2021 the Company had current assets of $3,464,349 (July 31, 2021 - $3,426,906) and current liabilities of $3,917,589 (July 31, 2021 - $3,045,603). Of the $3,917,589 current liabilities as at October 31, 2021, $1,731,539 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 $2,186,050. 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.

(Presented in Canadian Dollars)

3. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of $17,007, consisting of $16,965 principal plus accrued interest of $42 (July 31, 2021 - $16,997, consisting of $16,965 principal plus accrued interest of $32) which bear interest at an nominal interest rate and mature on November 2, 2021.

4. EQUIPMENT

The components of equipment are as follows as of October 31, 2021:

Cost	**Furniture and Fixtures**	**Computer Equipment**	**Total**
Opening balance - August 1, 2021	$ 90,081	$ 205,396	$ 295,477
Additions	-	4,956	4,956
Disposals	-	-	-
Closing balance - October 31, 2021	$ 90,081	$ 210,352	$ 300,433

Accumulated Depreciation	**Furniture and Fixtures**	**Computer Equipment**	**Total**
Opening balance - August 1, 2021	$ 73,964	$ 139,473	$ 213,437
Depreciation	934	6,171	7,105
Closing balance - October 31, 2021	$ 74,898	$ 145,644	$ 220,542

Carrying Value	**Furniture and Fixtures**	**Computer Equipment**	**Total**
Balance - August 1, 2021	$ 16,117	$ 65,923	$ 82,040
Balance - October 31, 2021	$ 15,183	$ 64,708	$ 79,891

(Presented in Canadian Dollars)

5. RIGHT-OF-USE ASSETS

The Company recognized the right-of-use assets for its two office space leases as follows:

Cost		**Total**
Opening balance - August 1, 2021	$	380,562
Additions		-
Closing balance - October 31, 2021	$	380,562

Accumulated Depreciation		**Total**
Opening balance - August 1, 2021	$	256,392
Depreciation		32,049
Closing balance - October 31, 2021	$	288,441

Carrying Value		**Total**
Balance - August 1, 2021	$	124,170
Balance - October 31, 2021	$	92,121

6. INTANGIBLES

The components of internally generated intangible assets are as follows as of October 31, 2021:

Cost		
Opening balance - August 1, 2021	$	419,923
Additions		-
Disposals		-
Closing balance - October 31, 2021	$	419,923

Accumulated Amortization		
Opening balance - August 1, 2021	$	403,226
Amortization		16,697
Disposals		-
Closing balance - October 31, 2021	$	419,923

Carrying Value		
Balance - August 1, 2021	$	16,697
Balance - October 31, 2021	$	-

(Presented in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		October 31, 2021		July 31, 2021
Trade accounts payable	$	753,482	$	517,894
Accrued liabilities		138,853		192,095
Accrued vacation payable and other employee benefits		506,236		485,590
Customer deposits		485,248		445,617
	$	1,883,819	$	1,641,196

8. CONTRACT LIABILITIES

The following table represents changes in contract liabilities for the three months ended October 31, 2021:

Balance - August 1, 2021	$	979,962
Invoiced during the period, excluding amount recognized as revenue		1,735,021
Amount recognized as revenue		(983,444)
Balance - October 31, 2021	$	1,731,539

9. TERM LOANS

		October 31, 2021		July 31, 2021
Investissement Quebec (i)	$	125,319	$	185,319
Business Development Bank of Canada (ii)		52,820		87,020
	$	178,139	$	272,339
Transaction costs		(3,566)		(3,566)
Current portion		(169,459)		(257,359)
	$	5,114	$	11,414

(Presented in Canadian Dollars)

9. 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, 2021, the Company was offside on both financial covenants relating to this term loan. 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, 2021.

(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.

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

2022 (remaining 9 months)	$	163,159
2023		14,980
	$	178,139

(Presented in Canadian Dollars)

10. 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, 2021		Year ended July 31, 2021
Balance - beginning of period	$	124,598	$	252,227
Interest payable on lease liabilities		2,475		17,799
Repayments during the period		(37,004)		(145,428)
Balance - end of period		90,069		124,598
Current portion		(90,069)		(124,384)
Non-current portion	$	-	$	214

The following table presents the contractual undiscounted cash flows for lease obligations as of October 31, 2021:

Less than one year	$	92,821

11. CONVERTIBLE DEBENTURES

		Debentures I		Debentures II		Total
Balance at July 31, 2020		1,877,569		1,307,737		3,185,306
Accrued interest		136,849		71,904		208,753
Interest Payment		(297,883)		(83,479)		(381,363)
Accretion expenses		70,451		25,488		95,939
Conversion of convertible debentures		(1,058,186)		(1,321,650)		(2,379,836)
Balance at July 31, 2021	**$**	**728,799**		**-**	**$**	**728,799**
Accrued interest		18,904		-		18,904
Interest Payment		(18,904)		-		(18,904)
Accretion expenses		10,050		-		10,050
Balance at October 31, 2021	**$**	**738,849**	**$**	**-**	**$**	**738,849**

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

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 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 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.

In April 2020, the Company obtained an interest deferral from one of the Debentures I holders. The Company will therefore defer the interest payments due to this holder for April and July 2020 till the maturity of the Note, totaling $37,295.

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 16.5%. 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 $120,243). 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.

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.

(Presented in Canadian Dollars)

11. CONVERTIBLE DEBENTURES (Continued)

On January 15, 2021, the Company announced non-brokered private placement financing pursuant to which the Company proposed to raise gross proceeds of a minimum of $2,000,000 and a maximum of $5,000,000 through the issuance of a minimum of 19,047,619 and a maximum of 47,619,046 units of the Company at $0.105 per Unit.

Subject to the conditions set out, the registered holder of a three year 10% unsecured convertible Debentures II elected to convert principal amount of Debenture II into common shares in the capital of the Company at $0.06 per share in accordance with the terms of the Debenture (the “Conversion”) with a minimum of 90% ($1,305,000) of the Company’s outstanding Debentures II.

The holder of Debenture I, a five-year 10% unsecured convertible debenture issued by the Company elected to convert principal amount of the Debenture I into common shares in the capital of the Company at $0.105 per share in accordance with the terms of the 2018 Debenture (the “Conversion”) with a minimum of 50% ($1,000,000) of the Company’s outstanding Debenture I. The issuance by the Company to the undersigned one-half of one warrant for each share issued upon Conversion, with each whole warrant entitling the undersigned to acquire one additional common share of the Company at a price of $0.18 per share until January 29th, 2024, subject to acceleration. The expiry of the warrants may be accelerated by the Company, if the volume-weighted average trading price of the Company’s common shares on the TSX Venture Exchange is greater than $0.22 for any twenty (20) consecutive trading days, at which time the Company may, within ten (10) business days, accelerate the expiry date of the warrants and applicable holds. The Company recognized warrant inducement expenses related to the conversion of convertible debt of $530,941 during the year ended July 31, 2021.

On January 29, 2021, as part of the private placement, a conversion of the gross proceeds of $1,450,000 convertible Debentures II resulted in issue of 24,166,664 common shares in the capital of the Company. For Debenture I, there were partial conversions of the gross proceeds of $1,250,000 convertible debenture resulting in issue of 11,904,759 shares with 5,952,378 warrants exercisable at $0.18 to January 29, 2024 and reduction in the debenture outstanding to $750,000. All interest owing on the principal amount of these debentures was paid to the debenture holders in cash concurrently with the issuance of the common shares.

Scheduled interest payments under the Debentures are due as follows:

2022		75,000
2023		75,000
2024		75,000
	$	206,250

12. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 162,066,711 common shares issued and outstanding as at October 31, 2021 (162,056,711 as at July 31, 2021).

During the three months ended October 31, 2021 and October 31, 2020, warrant holders did not exercise any warrants.

For the three months ended October 31, 2021, option holders exercised 10,000 options at $0.10 for total gross proceeds of $1,000 and 1,000 common shares. No options were exercised during the three months ended October 31, 2020.

(Presented in Canadian Dollars)

13. SHARE-BASED PAYMENTS

On September 17, 2021, the Company granted 550,000 stock options to employees of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.095. One-third, or 191,666, of the options vest on September 17, 2022 and thereafter the remaining options vest monthly over a period of 24 months. The options expire in five years from the date of grant.

A summary of the status of the Company's stock options as at October 31, 2021 and 2020 and changes during the three months then ended is presented below:

	Three months ended October 31, 2021			Three months ended October 31, 2020		
	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Outstanding - beginning of period	20,443,312	$	0.11	12,892,754	$	0.09
Granted	550,000		0.10	-		-
Exercised	(10,000)		0.10	-		-
Expired	(3,075,459)		0.08	(869,442)		0.10
Outstanding - end of period	17,907,853	$	0.12	12,023,312	$	0.09
Exercisable - end of period	9,337,319	$	0.09	7,539,283	$	0.10

The weighted average remaining contractual life of stock options as of October 31, 2021 is 3.01 years (July 31, 2021 - 3.37 years).

The Company had the following stock options outstanding as of October 31, 2021:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date	Remaining Life (Years)
575,000	575,000	0.150	May 10, 2022	0.52
3,500,000	3,490,000	0.100	December 11, 2022	1.11
1,750,000	1,750,000	0.120	March 7, 2023	1.35
50,000	50,000	0.150	November 15, 2023	2.04
500,000	444,440	0.080	February 1, 2024	2.25
1,025,000	797,210	0.085	June 12, 2024	2.62
376,381	271,513	0.080	November 8, 2024	3.02
1,741,472	1,959,156	0.050	April 10, 2025	3.44
1,100,000	-	0.120	January 13, 2026	4.21
6,740,000	-	0.160	April 23, 2026	4.48
550,000	-	0.095	September 17, 2026	4.88
17,907,853	9,337,319			

Share-based payments for all vested options for the three months ended October 31, 2020 was $90,298 (three months ended October 31, 2020 - $32,087), which was credited to contributed surplus and expensed to share-based payments.

(Presented in Canadian Dollars)

14. SHARE PURCHASE WARRANTS

During the three months ended October 31, 2021 and October 31, 2020, warrant holders did not exercise any warrants.

On February 11, 2021, the Company completed a private placement for gross proceeds of $5 million. The terms were: 47,619,046 units at a price of $0.105 per unit. All units consist of one common share and one share purchase warrant entitling the holder to purchase one additional common share for three years at price of $0.18 per share with conditions to accelerate. The expiry of the warrants may be accelerated by the Company at any time following the four (4) month hold and prior to the expiry date of the warrants by announcing the reduced warrant term, whereby if the VWAP of common shares is greater than $0.22 for any 20 consecutive trading days, the Company may accelerate the expiry and exercise conversion at $0.18 per warrant. The number of warrants issued as part of the tranche was 47,619,046 at the exercise price of $0.18 per warrant. In connection with the offering, the Company issued 3,574,952 broker warrants exercisable to purchase the same number of common shares, at a price of $0.105 per share, for a period of three years from issuance date of the warrants. All securities issued in connection with private placement are subject to a statutory four-month hold period in accordance with applicable securities law legislation. The estimated fair value of the broker warrants granted was estimated by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 104%; risk free interest rate of 0.18%; forfeiture rate of 0%, share price of $0.15 – $0.20; exercise price of $0.105 and expected life of three years.

On January 29, 2021, as part of private placement, for Debenture I, there were partial conversions of the gross proceeds of $1,250,000 convertible debenture resulting in issue of 11,904,759 shares with 5,952,378 incentive warrants as an early conversion inducement valued at $530,941. Each full warrant entitles the holder to purchase one additional common share for three years at an exercisable price of $0.18 to expire on January 29, 2024. The Company paid $6,750 in issuance cost related to the incentive warrants related to early conversion of Debentures I as part of the private placement. The estimated fair value of the inducement warrants granted for the year ended July 31, 2021 was estimated by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 102%; risk free interest rate of 0.18%; forfeiture rate of 0%, share price of $0.15- $0.20; exercise price of $0.18 and expected life of three years. The inducement expense was included in share-based payment expenses in the condensed consolidated statements of comprehensive loss for the year ended July 31, 2021, net of issuance costs.

A summary of the status of the Company's warrants as at October 31, 2021 and 2020 and changes during the three months then ended is presented below:

	Three months ended October 31, 2021		Three months ended October 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	57,146,376	$ 0.175	370,000	$ 0.102
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding - end of period	57,146,376	$ 0.175	370,000	$ 0.102

(Presented in Canadian Dollars)

14. SHARE PURCHASE WARRANTS (Continued)

The Company had the following warrants outstanding as at October 31, 2021:

15. OTHER INCOME

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. Various levels of government and the Bank of Canada have responded with significant monetary and fiscal interventions designed to stabilize economic conditions. The efficacy of the government and the Bank of Canada's intervention to support business has come in various forms including Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS) as temporary measures. The CEWS program provides government assistance in the form of wage subsidy for qualifying businesses faced with specified levels of revenue decline designed to either retain workforce on payroll or to re-hire furloughed employees. The CEWS program is applicable from March 15, 2020 to October 23, 2021 for eligible entities that have experienced a reduction in gross revenue for the period as determined by the program. The CERS program became available retroactively from September 27, 2020 to October 23, 2021. The CERS legislation is built on the same revenue decline mechanics used by the CEWS program and is intended to provide a subsidy to qualifying businesses to cover a portion of commercial rent or property expenses. The CEWS program is applicable from March 15, 2020 to October 23, 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 subsidies of $11,570 during the three months ended October 31, 2021 (three months ended October 31, 2020 - $184,627).

	Three months ended October 31, 2021	Three months ended October 31, 2020
August	$11,570	$ 110,378
September	-	$ 47,726
October	-	$ 26,523
Total	$ 11,570	$ 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.

(Presented in Canadian Dollars)

16. 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.

	Three months ended October 31, 2021		Three months ended October 31, 2020	
Subscription and support	$	538,723	$	480,837
Services		571,356		355,674
	$	1,110,078	$	836,511

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, 2021		Three months ended October 31, 2020	
Canada	$	183,557	$	322,750
US		837,552		402,791
Other		88,969		110,970
	$	1,110,078	$	836,511

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 months ended October 31, 2021, were all paid to key management personnel and were as follows:

	Three months ended October 31, 2021		Three months ended October 31, 2020	
Salaries and benefits	$	181,000	$	291,040
Contractor and consulting fees		76,000		-
Stock-based compensation (i)		78,589		2,451
	$	335,589	$	293,491

i) Stock-based compensation for officers/directors is comprised of the vested value of stock options expensed during the three months ended October 31, 2021 and 2020.

(Presented in Canadian Dollars)

18. 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, 2021, the company has recorded a provision for Expected Credit Losses ("ECLs") of $29,048 (July 31, 2021 - $7,868). As at October 31, 2021, approximately 78% (July 31, 2021 – 69%) of the Company's accounts receivable are due from 5 customers (July 31, 2021 – 3 customers).

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

	ECL %	October 31, 2021	July 31, 2021
Current	0.5%	$ 1,062,852	$ 485,916
Over 30 days past due	1.0%	64,305	216,452
Over 60 days past due	2.5%	311,199	15,658
Over 90 days past due	5.0%	37,476	20,193
Less: Provision for ECLs		(29,048)	(7,868)
		$ 1,446,784	$ 730,351

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 9 & 11. 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, 2021, the Company had cash on hand of $1,390,036 and accounts receivable of $1,446,784 to meet working capital requirements.

As at October 31, 2021, the Company’s current liabilities exceed current assets by $453,240 (as of July 31, 2021, current assets exceed current liabilities by $381,303). Of this amount, $1,731,539 ($979,962 - July 31, 2021) relates to contract liabilities (Note 8), which is expected to be settled through the performance of service in the normal course. The current liabilities also include the current portion of term loans of $169,459 (Note 9).

18. FINANCIAL INSTRUMENTS (Continued)

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 been partially converted and have interest only payments due quarterly with the next payment on January 31, 2022 (Note 11).

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.

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, 2021, the Company's foreign denominated monetary assets and monetary liabilities as expressed in USD total $1,898,457 (July 31, 2021 – USD 1,177,013) and converted at the fiscal end exchange rates of 1.23 and 1.25, respectively. For the quarter ended October 31, 2021, the Company recognized a loss on foreign exchange of $12,815 (July 31, 2021 – loss of $62,683) as a result of appreciation/depreciation of US dollar.

Exposure to Currency Risk

			October 31, 2021		July 31, 2021
Cash	USD	$	1,061,506	$	802,759
Trade receivables			974,230		406,546
Trade payables			(137,279)		(32,292)
Net statement of financial position exposure	USD	$	1,898,457	$	1,177,013
Average USD to CAD exchange rate		$	1.26	$	1.27
Spot rate USD to CAD exchange rate		$	1.23	$	1.25

Sensitivity Analysis

A reasonably possible (strengthening) weakening of Canadian dollar against US dollar on October 31, 2021 and July 31, 2021 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 loss of approximately $116,755 (July 31, 2021 - $73,340). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

18. FINANCIAL INSTRUMENTS (Continued)

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, 2021, 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. CORRESPONDING FIGURES

Certain corresponding figures have been restated where necessary to conform with current period presentation.