BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022 and 2021
(Presented in Canadian Dollars)
(Unaudited)

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2022 and 2021 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. and its subsidiary (the "Company") as at and for the three and six months ended January 31, 2022 and 2021 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 and six months ended January 31, 2022 and 2021 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 JANUARY 31, 2022 AND JULY 31, 2021
(Presented in Canadian Dollars) (Unaudited)

	Note	January 31, 2022 (Unaudited)	July 31, 2021 (Audited)
ASSETS			
Current Assets			
Cash		$ 1,008,721	$ 2,141,018
Short term investments	3	17,007	16,997
Accounts receivable, net of ECL	19	1,241,406	730,351
Prepaids and other assets		151,592	121,839
Investment tax credits refundable		341,012	372,241
Unbilled revenue		33,146	18,687
Contract costs		25,773	25,773
Total Current Assets		2,818,658	3,426,906
Non-Current Assets			
Equipment	4	75,997	82,040
Right-of-use assets	5	60,072	124,170
Intangibles	6	-	16,698
Contract costs		12,887	25,773
Total Assets		$ 2,967,614	$ 3,675,587
LIABILITIES AND DEFICIT			
Current Liabilities			
Trade accounts payable	7	$ 822,340	$ 517,894
Accrued liabilities and other payables	7	488,166	677,685
Customer deposits	7	455,448	445,617
Deferred revenue	8	1,894,472	979,962
Term loans - current portion	9	25,140	257,359
Lease liabilities - current portion	10	54,411	124,384
Provision		42,702	42,702
Total Current Liabilities		3,782,679	3,045,603
Non-Current Liabilities			
Term loans	9	-	11,414
Lease liabilities	10	-	214
Convertible debentures	11	749,050	728,799
Deferred taxes		-	1,853
Total Liabilities		4,531,729	3,787,883
Shareholders' Deficit			
Share capital		8,405,697	8,403,731
Contributed surplus		4,908,587	4,672,262
Accumulated deficit		(14,878,400)	(13,188,289)
Total Shareholders' Deficit		(1,564,116)	(112,296)
Total Liabilities and Shareholders' Deficit		$ 2,967,614	$ 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 JANUARY 31, 2022 and 2021
(Presented in Canadian Dollars) (Unaudited)

	Note		2022		2021
REVENUE					
Subscriptions and support	16	$	583,240	$	488,303
Services	16		649,247		402,972
			1,232,487		891,275
COST OF SALES					
Subscriptions and support			59,665		89,797
Services			245,328		267,277
			304,993		357,074
GROSS PROFIT			927,494		534,201
EXPENSES					
Sales and marketing			401,231		564,602
Research and development			359,858		378,008
General and administrative			647,105		423,401
Share-based payments			146,993		465,684
Interest and finance charges			34,724		139,858
Amortization of equipment and right-of-use assets	4,5		39,343		36,507
Amortization of intangible assets	6		6,443		27,439
Total Expenses			1,635,697		2,035,499
LOSS FROM OPERATIONS			(708,202)		(1,501,297)
Other income	15		345		95,024
LOSS FROM OPERATIONS BEFORE TAXES			(707,857)		(1,406,273)
Deferred income tax recovery			2,606		9,876
NET LOSS AND COMPREHENSIVE LOSS			(705,251)		(1,396,397)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$	(0.004)	$	(0.020)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED			162,066,711		79,957,582

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 SIX MONTHS ENDED JANUARY 31, 2022 and 2021
(Presented in Canadian Dollars) (Unaudited)

	Note		2022		2021
REVENUE					
Subscriptions and support	16	$	1,121,962	$	969,140
Services	16		1,220,603		758,646
			2,342,565		1,727,786
COST OF SALES					
Subscriptions and support			111,276		176,868
Services			508,084		541,681
			619,360		718,549
GROSS PROFIT			1,723,205		1,009,237
EXPENSES					
Sales and marketing			928,617		955,019
Research and development			724,737		715,311
General and administrative			1,362,372		703,074
Share-based payments			237,291		497,771
Interest and finance charges			71,135		282,380
Amortization of equipment and right-of-use assets	4,5		78,496		72,102
Amortization of intangible assets	6		29,584		54,879
Total Expenses			3,432,232		3,280,536
LOSS FROM OPERATIONS			(1,709,027)		(2,271,299)
Other income	15		13,744		279,788
LOSS FROM OPERATIONS BEFORE TAXES			(1,695,283)		(1,991,511)
Deferred income tax recovery			5,172		19,731
NET LOSS AND COMPREHENSIVE LOSS			(1,690,111)		(1,971,780)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		$	(0.01)	$	(0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED			162,061,711		79,161,912

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 SIX MONTHS ENDED JANUARY 31, 2022 and 2021
(Presented in Canadian Dollars) (Unaudited)

	Notes	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity (Deficiency)
Balance – August 1, 2020		78,366,242	$ 3,042,490	$ 2,180,090	$ (9,059,718)	$ (3,837,138)
Conversion of 2018 convertible debentures	11	11,904,759	1,329,704	(223,467)	-	1,106,237
Conversion of 2020 convertible debentures	11	24,166,664	1,453,113	(97,450)	-	1,355,663
Private placement (1st tranche)	12,14	37,130,238	2,515,114	928,256	-	3,443,370
Broker warrants for private placement	14	-	-	109,088	-	109,088
Incentive warrants	14	-	-	413,080	-	413,080
Share-based payments	13	-	-	59,840	-	59,840
Net loss		-	-	-	(1,971,780)	(1,971,780)
Balance – January 31, 2021		**151,567,903**	**$ 8,340,421**	**$ 3,369,437**	**$ (11,031,498)**	**$ 678,360**
Balance – August 1, 2021		162,056,711	$ 8,403,731	$ 4,672,262	$ (13,188,289)	$ (112,296)
Exercise of stock options	13	10,000	1,966	(966)	-	1,000
Share-based payments	13	-	-	237,291	-	237,291
Net loss		-	-	-	(1,690,111)	(1,690,111)
Balance – January 31, 2022		**162,066,711**	**$ 8,405,697**	**$ 4,908,587**	**$ (14,878,400)**	**$ (1,564,116)**

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 SIX MONTHS ENDED JANUARY 31, 2022 AND 2021
(Presented in Canadian Dollars)
(Unaudited)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss and comprehensive loss		$ (1,690,111)	$ (1,971,780)
Items not requiring an outlay of cash:			
Depreciation of equipment and right-of-use assets	4,5	78,496	72,103
Amortization of intangible assets	6	29,584	41,992
Amortization of contract costs		-	12,887
Share-based payments	13	237,291	59,840
Inducement expenses	11	-	413,080
Accretion and accrued interest		25,481	(86,260)
Unrealized gain on foreign exchange		3,308	29,938
Deferred income taxes		(5,172)	(19,731)
Changes in non-cash working capital:			
Accounts receivable		(511,055)	(273,272)
Prepaids and other assets		(29,754)	33,186
Work in process		-	8,424
Unbilled revenue		(14,459)	60,339
Contract costs		-	(77,320)
Investment tax credits refundable		31,229	90,934
Accounts payable and accrued liabilities		124,759	1,085,160
Income tax provision and deferred taxes		-	(24,963)
Provision		-	(37,701)
Deferred revenue		914,510	122,830
NET CASH USED IN OPERATING ACTIVITIES		(805,893)	(435,351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liabilities	10	(74,290)	(72,545)
Proceeds from exercise of stock options	13	1,000	-
Repayment of short term debt		-	(165,500)
Proceeds from units issued in private placement, net of cash costs	12	-	3,552,457
Proceeds from advances for private placement	12	-	98,725
Repayment of term loans	9	(244,759)	(30,500)
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES		(318,049)	3,382,637
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of equipment	4	(8,355)	(20,379)
NET CASH USED IN INVESTING ACTIVITIES		(8,355)	(20,379)
NET DECREASE IN CASH		(1,132,297)	2,926,907
CASH, BEGINNING OF PERIOD		2,141,018	1,343,953
CASH, END OF PERIOD		$ 1,008,721	$ 4,240,922
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid		$ 40,651	$ 359,956
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 and applies the same accounting policies unless otherwise noted.

These financial statements were authorized by the Board of Directors on March 21, 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 foreseeable future. The Company has incurred losses from operations during the six months ended January 31, 2022 of $1,690,111 and has an accumulated deficit of $14,878,400 as at January 31, 2022 (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. As at January 31, 2022, the Company had current assets of $2,818,658 (July 31, 2021 - $3,426,906) and current liabilities of $3,782,679 (July 31, 2021 - $3,045,604). Of the $3,782,679 current liabilities as at January 31, 2022, $1,894,472 relates to Deferred Revenue representing payments in advance by customers. This amount will not crystallize as a cash outflow, giving an adjusted current liability of $1,888,207. 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 favorable to the Company or at all, may require the Company to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities.

3. 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 a nominal interest rate and mature in November 2022 at a projected value of $17,075. The GICs were obtained as letters of credit for financing received as discussed in note 9.

(Presented in Canadian Dollars)

4. EQUIPMENT

The components of equipment are as follows as of January 31, 2022:

Cost		Furniture and Fixtures		Computer Equipment		Total
Opening balance - August 1, 2021	$	90,081	$	205,396	$	295,477
Additions		-		8,355		8,355
Disposals		-		-		-
Closing balance - January 31, 2022	$	90,081	$	213,751	$	303,832

Accumulated Depreciation		Furniture and Fixtures		Computer Equipment		Total
Opening balance - August 1, 2021	$	73,964	$	139,473	$	213,437
Depreciation		1,868		12,531		14,399
Closing balance - January 31, 2022	$	75,832	$	152,004	$	227,836

Carrying Value		Furniture and Fixtures		Computer Equipment		Total
Balance - August 1, 2021	$	16,117	$	65,923	$	82,040
Balance - January 31, 2022	$	14,249	$	61,748	$	75,997

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 - January 31, 2022	$	380,562

Accumulated Depreciation		Total
Opening balance - August 1, 2021	$	256,392
Depreciation		64,098
Closing balance - January 31, 2022	$	320,490

Carrying Value		Total
Balance - August 1, 2021	$	124,170
Balance - January 31, 2022	$	60,072

(Presented in Canadian Dollars)

6. INTANGIBLES

The components of internally generated intangible assets are as follows as of January 31, 2022:

Cost		
Opening balance - August 1, 2021	$	419,923
Additions		-
Disposals		-
Closing balance - January 31, 2022	$	419,923
Accumulated Amortization		
Opening balance - August 1, 2021	$	403,226
Amortization		16,697
Disposals		-
Closing balance - January 31, 2022	$	419,923
Carrying Value		
Balance - August 1, 2021	$	16,697
Balance - January 31, 2022	$	-

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		January 31, 2022		July 31, 2021
Trade accounts payable	$	822,340	$	517,894
Accrued liabilities		112,972		192,095
Accrued vacation payable and other employee benefits		375,194		485,590
Customer deposits		455,448		445,617
	$	1,765,954	$	1,641,196

8. DEFERRED REVENUE

The following table represents changes in deferred revenue for the six months ended January 31, 2022:

Balance - August 1, 2021	$	979,962
Invoiced during the period, excluding amount recognized as revenue		2,885,766
Amount recognized as revenue		(1,971,256)
Balance - January 31, 2022	$	1,894,472

(Presented in Canadian Dollars)

9. TERM LOANS

	January 31, 2022	July 31, 2021
Investissement Quebec (i)	$ -	$ 185,319
Business Development Bank of Canada (ii)	27,580	87,020
	$ 27,580	$ 272,339
Transaction costs	(2,380)	(3,566)
Current portion	(25,200)	(257,359)
	$ -	$ 11,414

(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 requirements. 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 were paid until January 2020. During the year ended July 31, 2021, 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 July 31, 2021, the Company was not in compliance on both financial covenants relating to these term loans. The Company obtained a waiver of these financial covenants from IQ such that the term loan did not become payable on demand and the terms of the loan remained unchanged as at July 31, 2021. The loan was fully repaid as at December 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. The $250,000 loan was fully repaid as at December 31, 2021.

In October 2016, the Company received an additional $100,000, less transactions costs of $2,000, with the same terms and conditions stated above except the first monthly principal payment of $2,060 plus interest was paid in September 2017, thereafter monthly principal payments of $1,660 plus interest were paid until January 2019. In February 2019, the Company renegotiated the payment terms of the remaining balance of $71,380. In March 2020, the Company again renegotiated the payment terms of the remaining balance of $63,280. Monthly principal payments of $2,100 plus interest are due from September 2020 to January 2023, with the final payment of $2,380 due in February 2023.

(Presented in Canadian Dollars)

9. TERM LOANS (Continued)

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

2022 (remaining six months)	$	12,600
2023		14,980
	$	27,580

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:

		Six months ended January 31, 2022		Year ended July 31, 2021
Balance - beginning of period	$	124,598	$	252,227
Interest payable on lease liabilities		4,103		17,799
Repayments during the period		(74,290)		(145,428)
Balance - end of period		54,411		124,598
Current portion		(54,411)		(124,384)
Non-current portion	$	-	$	214

The following table presents the contractual undiscounted cash flows for lease obligations as of January 31, 2022:

Less than one year	$	55,535

(Presented in Canadian Dollars)

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	37,808	-	37,808
Interest payment	(37,808)	-	(37,808)
Accretion expenses	20,251	-	20,251
Balance at January 31, 2022	**$ 749,050**	**$ -**	**$ 749,050**

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.
- 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.

11. CONVERTIBLE DEBENTURES (Continued)

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.

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.

(Presented in Canadian Dollars)

11. CONVERTIBLE DEBENTURES (Continued)

Scheduled interest payments under the Debentures are due as follows:

2022 (remaining six months)		37,192
2023		75,000
2024		18,904
	$	131,096

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 January 31, 2022 (162,056,711 as at July 31, 2021).

During the six months ended January 31, 2022 and January 31, 2021, warrant holders did not exercise any warrants.

During the six months ended January 31, 2022, 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.

On January 29, 2021, the Company completed tranche 1 of a non-brokered private placement consisting of 37,130,238 units at a price of $0.105 per share for gross proceeds of $3,898,675. 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. All shares issued in connection with the placement are subject to a statutory four-month hold period in accordance with applicable securities law legislation. The accrued share issuance costs associated with the tranche are $38,090.

On January 29, 2021, certain convertible debenture holders exercised an accelerated conversion to convert their debentures for common shares. There were partial conversions of the gross proceeds of $1,250,000 at a price of $0.105 on Debenture 1 resulting in issue of 11,904,759 common shares and on Debenture II, a conversion of the gross proceeds of $1,450,000 at a price of $0.06 resulted in issue of 24,166,664 common shares in the capital of the Company. All shares issued in connection with the conversion are subject to a statutory four-month hold period in accordance with applicable securities law legislation.

(Presented in Canadian Dollars)

13. SHARE-BASED PAYMENTS

On September 17, 2021, the Company granted 575,000 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.

On December 1, 2021, the Company granted 1,000,000 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. One-third, or 333,333, of the options vest on December 1, 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.

On December 22, 2021, the Company granted 250,000 stock options to employees of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of $0.105. One-third, or 83,333, of the options vest on December 22, 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 January 31, 2022 and 2021 and changes during the three months then ended is presented below:

	Six months ended January 31, 2022		Six months ended January 31, 2021	
	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	1,825,000	0.11	1,450,000	0.12
Exercised	(10,000)	0.10	-	-
Expired	(3,447,675)	0.08	(1,149,442)	0.10
Outstanding - end of period	18,810,637	$ 0.12	13,193,312	$ 0.09
Exercisable - end of period	9,364,099	$ 0.10	7,880,239	$ 0.10

The weighted average remaining contractual life of stock options as of January 31, 2022 is 2.96 years (July 31, 2021 - 3.37 years).

(Presented in Canadian Dollars)

13. SHARE-BASED PAYMENTS (Continued)

The Company had the following stock options outstanding as of January 31, 2022:

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
3,490,000	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
479,165	472,220	0.080	February 1, 2024	2.25
1,025,000	882,630	0.085	June 12, 2024	2.62
50,000	36,110	0.080	November 8, 2024	3.02
1,741,472	1,741,472	0.050	April 10, 2025	3.44
1,100,000	366,667	0.120	January 13, 2026	4.21
6,750,000	-	0.160	April 23, 2026	4.48
550,000	-	0.095	September 17, 2026	4.88
1,000,000	-	0.125	December 1, 2026	4.84
250,000	-	0.105	December 22, 2026	4.89
17,907,853	9,364,099			

Share-based payments for all vested options for the three and six months ended January 31, 2022 was $146,993 and $237,291, respectively (three and six months ended January 31, 2021 - $27,753 and $59,840, respectively), which was credited to contributed surplus and expensed to share-based payments.

14. SHARE PURCHASE WARRANTS

During the six months ended January 31, 2022 and January 31, 2021, 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.

(Presented in Canadian Dollars)

14. SHARE PURCHASE WARRANTS (Continued)

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 January 31, 2022 and 2021 and changes during the three months then ended is presented below:

	Six months ended January 31, 2022		Six months ended January 31, 2021	
	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	-	-	45,903,816	0.175
Exercised	-	-	-	-
Expired	-	-	(320,000)	0.105
Outstanding - end of period	57,146,376	$ 0.175	45,953,816	$ 0.175

The Company had the following warrants outstanding as at January 31, 2022:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price ($)	Expiry Date	Remaining Life (Years)
37,130,238	37,130,238	0.180	January 29, 2024	1.99
5,952,378	5,952,378	0.180	January 29, 2024	1.99
80,000	80,000	0.105	January 29, 2024	1.99
2,741,200	2,741,200	0.105	February 9, 2024	2.02
6,050,904	6,050,904	0.180	February 9, 2024	2.02
408,720	408,720	0.105	February 9, 2024	2.02
125,000	125,000	0.180	February 10, 2024	2.03
4,312,904	4,312,904	0.180	February 11, 2024	2.03
345,032	345,032	0.105	February 11, 2024	2.03
57,146,376	57,146,376			

(Presented in Canadian Dollars)

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 qualified for subsidies of $11,570 during the six months ended January 31, 2022 (six months ended January 31, 2021 - $279,583).

	Six months ended January 31, 2022	**Six months ended January 31, 2021**
August	$11,570	$ 110,378
September	-	47,726
October	-	26,523
November	-	28,971
December	-	48,518
January	-	17,467
Total	$ 11,570	$ 279,583

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 January 31, 2022	Three months ended January 31, 2021	Six months ended January 31, 2022	Six months ended January 31, 2021
Subscription and support	$ 583,240	$ 488,303	$ 1,121,962	$ 969,140
Services	649,247	402,972	1,220,603	758,646
	$ 1,232,487	$ 891,275	$ 2,342,565	$ 1,727,786

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 January 31, 2022	Three months ended January 31, 2021	Six months ended January 31, 2022	Six months ended January 31, 2021
Canada	$ 229,585	$ 382,720	$ 413,142	$ 705,470
US	710,697	425,528	1,548,249	828,319
Other	292,205	83,027	381,174	193,997
	$ 1,232,487	$ 891,275	$ 2,342,565	$ 1,727,786

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 January 31, 2022, were all paid to key management personnel and were as follows:

	Three months ended January 31, 2022	Three months ended January 31, 2021	Six months ended January 31, 2022	Six months ended January 31, 2021
Salaries and benefits	$ 185,167	$ 294,253	$ 366,167	$ 655,293
Contractor and consulting fees	61,000	-	137,000	-
Stock-based compensation (i)	129,462	16,564	208,051	38,511
	$ 375,629	$ 310,817	$ 711,218	$ 693,804

i) Stock-based compensation for officers/directors is comprised of the vested value of stock options expensed during the three months ended January 31, 2022 and 2021.

(Presented in Canadian Dollars)

18. EXPENSES BY NATURE

The classification of total expenses by nature is as follows:

	Three months ended January 31, 2022	Three months ended January 31, 2021	Six months ended January 31, 2022	Six months ended January 31, 2021
Salaries and benefits	$ 931,457	$ 957,641	$ 2,079,819	$ 1,712,858
Contractor and consulting fees	196,428	110,051	360,113	174,827
Share-based payments	146,993	27,753	237,291	59,840
General and administrative	140,673	112,944	251,411	185,001
Information technology	47,870	36,013	113,231	65,224
Sales and marketing	65,724	113,380	115,170	181,912
Research and development	6,315	7,353	20,169	14,319
Interest and finance charges	34,724	557,255	71,135	698,676
Investor relations	59,956	-	89,760	-
Travel and meals	12,983	4,441	26,450	6,732
Amortization of equipment and right-of-use assets	39,343	36,507	78,496	72,102
Amortization of intangible assets	6,443	27,439	29,584	54,879
Foreign exchange (gain) loss	(53,212)	44,722	(40,397)	54,166
	$ 1,635,697	$ 2,035,499	$ 3,432,232	$ 3,280,536

19. 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 six months ended January 31, 2022, the company has recorded a provision for Expected Credit Losses ("ECLs") of $7,143 (July 31, 2021 - $7,868). As at January 31, 2022, approximately 33% (July 31, 2021 – 69%) of the Company's accounts receivable are due from 2 customers (July 31, 2021 – 3 customers).

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

	ECL %	January 31, 2022	ECL %	July 31, 2021
Current	0.0%	$ 784,704	0.5%	$ 485,916
Over 30 days past due	0.5%	123,311	1.0%	216,452
Over 60 days past due	1.0%	150,927	2.5%	15,658
Over 90 days past due	2.5%	189,606	5.0%	20,193
Less: Provision for ECLs		(7,143)		(7,868)
		$ 1,241,406		$ 730,351

19. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

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

The Company is exposed to liquidity risk on accounts payable to its suppliers, which arise in the normal course of operations and are due in less than one year, its term loans and convertible debentures, which are repayable in various monthly & quarterly installments as discussed in Notes 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 January 31, 2022, the Company had cash on hand of $1,008,721 and accounts receivable of $1,241,406 to meet working capital requirements.

As at January 31, 2022, the Company's current liabilities exceed current assets by $964,082 (as of July 31, 2021, current assets exceed current liabilities by $381,303). Of this amount, $1,894,472 ($979,962 - July 31, 2021) relates to deferred revenue (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 $25,140 (Note 9).

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 April 30, 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 January 31, 2022, the Company's foreign denominated monetary assets and monetary liabilities as expressed in USD total $1,393,787 (July 31, 2021 – USD 1,177,013) and converted at the fiscal year end exchange rates of 1.27 and 1.25, respectively. For the quarter ended January 31, 2022, the Company recognized a loss on foreign exchange of $53,212 (July 31, 2021 – loss of $62,683) as a result of appreciation/depreciation of US dollar.

(Presented in Canadian Dollars)

19. FINANCIAL INSTRUMENTS (Continued)

Exposure to Currency Risk

			January 31, 2022		July 31, 2021
Cash	USD	$	669,230	$	802,759
Trade receivables			763,892		406,546
Trade payables			(39,335)		(32,292)
Net statement of financial position exposure	USD	$	1,393,787	$	1,177,013
Average USD to CAD exchange rate		$	1.26	$	1.27
Spot rate USD to CAD exchange rate		$	1.27	$	1.25

Sensitivity Analysis

A reasonably possible (strengthening) weakening of Canadian dollar against US dollar on January 31, 2022 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 $88,505 (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.

	January 31, 2022 (spot rate)				**July 31, 2021 (spot rate)**			
		Strengthening		Weakening		Strengthening		Weakening
USD (5% movement)		1.33		1.21		1.31		1.18
USD (10% movement)		1.40		1.14		1.37		1.12
Impact: Profit and Loss								
USD (5% movement)	$	88,505	$	(88,505)	$	73,340	$	(73,340)
USD (10% movement)	$	177,011	$	(177,011)	$	146,679	$	(146,679)

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 January 31, 2022, 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.

20. CORRESPONDING FIGURES

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

21. SUBSEQUENT EVENTS

On March 10, 2022, the Company announced that it has entered into an agreement with a U.S. registered securities broker dealer (the “Placement Agent”), pursuant to which the Company will issue on a private placement basis (the "Offering") up to 100,000,000 units of the Company (the "Units") at a price of US$0.05 per Unit, for aggregate gross proceeds of up to US$5,000,000. Each Unit shall consist of (i) one (1) common share of the Company (the “Common Shares”), and (ii) one-half (1/2) of one transferable Common Share purchase warrant (the “Warrants”). Each whole Warrant shall entitle the holder thereof to acquire one additional Common Share at a price of US$0.075 per share until the date that is forty-eight (48) months from the closing (the “Closing”). The expiry date of the Warrants may be accelerated by the Company if (i) the volume weighted average price of the shares on the TSX Venture Exchange (the “TSXV”) is greater than US$0.20 for any twenty (20) consecutive trading days (the “Acceleration Event”), and (ii) one of the following events is true: (A) the volume averages 250,000 shares a day during that period, (B) the Company is uplisted in the U.S., (C) the Common Shares underlying the Warrants are registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or (D) the Common Shares trade at US$3.00 per share or higher for twenty consecutive days (provided a reverse split of not more than 1 for 15 has been completed), at which time the Company may, within ten (10) business days of the Acceleration Event, accelerate the expiry date of the Warrants by issuing a press release announcing the reduced warrant term whereupon the Warrants will expire on the 60th calendar day after the date of such press release.

In addition, the Company has granted the Placement Agent an option to increase the Offering by an additional US$1,000,000 for an additional 20,000,000 Units to cover over-allotments.

The Company intends to use the net proceeds from the Offering for general working capital.

In connection with the Offering, the Placement Agent will receive a cash commission equal to 10.0% of the aggregate gross proceeds of the Offering. In addition, the Placement Agent will receive non-transferable warrants (the "Placement Agent’s Warrants") exercisable at any time prior to the date that is 60 months from the Closing to acquire that number of Common Shares equal to 10.0% of the number of Units issued pursuant to the Offering. The cash commission and Placement Agent’s Warrants shall be reduced to 5.0% for subscribers identified on the Company’s president’s list (the “President’s List Subscribers”). In addition, the Company shall pay the Placement Agent a fee equal to 3.0% of the aggregate exercise price of exercised Warrants (excluding President’s List Subscribers), if applicable.

The Offering is to be made in the United States pursuant to available exemptions from the registration requirements under the 1933 Act, and such other jurisdictions (including in the provinces of Canada) as may be agreed to by the Company and the Placement Agent, by way of private placement exemptions from applicable prospectus and registration requirements, subject to the receipt of necessary regulatory approvals.

The Common Shares and Warrants forming part of the Units, and any Common Shares issuable upon exercise of Warrants, will be subject to a statutory hold period of four months and one day from the date of issuance of the Units. The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the TSXV.