

BLUERUSH INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 and 2020
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 and 2020

CONTENTS

(Unaudited)

	Page
NOTICE TO READER	1
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Comprehensive Loss	3- 4
Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7 - 35

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 nine months ended April 30, 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 and nine months ended April 30, 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 APRIL 30, 2021 AND JULY 31, 2020
(Presented in Canadian Dollars)
(Unaudited)**

	Note	April 30, 2021 (Unaudited)	July 31, 2020 (Audited)
ASSETS			
Current Assets			
Cash		\$ 3,233,221	\$ 1,343,953
Short term investments	4	16,986	16,881
Accounts receivable	23	483,669	263,324
Prepays and other assets		245,159	134,594
Investment tax credits refundable		198,840	289,774
Unbilled revenue		26,977	94,311
Work in process		677	8,424
Total Current Assets		4,205,529	2,151,261
Non-Current Assets			
Equipment	5	65,025	54,476
Intangibles	7	37,694	100,682
Right-of-use assets	6	156,219	252,366
Contract cost	22	57,990	-
Total Assets		\$ 4,522,457	\$ 2,558,785
LIABILITIES AND EQUITY (DEFICIENCY)			
Current Liabilities			
Accounts payable and accrued liabilities	8	\$ 1,278,272	\$ 1,084,471
Short term debt	9	-	165,500
Contract liabilities	10	1,276,425	1,066,461
Term loans - current portion	11	329,259	364,219
Lease liabilities - current portion	12	130,414	127,629
Provision		45,370	87,472
Total Current Liabilities		3,059,740	2,895,752
Non-Current Liabilities			
Term loans	11	17,714	75,472
Lease liabilities	12	27,338	124,598
Convertible debentures	13	718,902	3,185,306
Deferred taxes		9,251	114,795
Total Liabilities		3,832,945	6,395,923
Equity (Deficiency)			
Share capital	14	9,024,685	3,042,490
Contributed surplus		3,743,197	2,180,090
Deficit		(12,078,370)	(9,059,718)
Total Equity (Deficiency)		689,512	(3,837,138)
Total Liabilities and Equity (Deficiency)		\$ 4,522,457	\$ 2,558,785
Approved on Behalf of the Board			
(Signed) - "Larry Lubin", Director		(Signed) - "Paul G. Smith", Director	

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

BLUERUSH INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED APRIL 30, 2021 and 2020****(Presented in Canadian Dollars)****(Unaudited)**

	Note	2021	2020
REVENUE			
Subscriptions and support	17	\$ 517,878	\$ 359,652
Services	17	251,247	697,411
Interest		499	2,251
		769,624	1,059,314
COST OF SALES			
Subscriptions and support	18	93,443	99,872
Services	18	143,571	352,614
		237,014	452,486
GROSS PROFIT			
		532,610	606,828
EXPENSES			
Sales and marketing	18	708,754	518,685
General and administrative	18	380,468	289,029
Research and development	18	432,903	388,157
Restructuring costs		-	19,019
Share-based payments	15	49,980	(8,706)
Interest and bank charges		47,762	92,692
Amortization of equipment and right-of-use assets	5, 6	36,625	35,846
Amortization of intangible assets and contract costs	7, 22	27,439	20,994
Total Expenses		1,683,931	1,355,716
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES			
Other income	20	101,958	207,907
		(1,151,321)	(748,888)
LOSS BEFORE TAXES			
Deferred income tax recovery		(2,489)	(6,245)
		(1,049,363)	(540,981)
LOSS FROM CONTINUING OPERATIONS			
		(1,046,874)	(534,736)
LOSS FROM DISCONTINUED OPERATIONS			
	19	-	(25,727)
NET LOSS AND COMPREHENSIVE LOSS			
		\$ (1,046,874)	\$ (560,463)
LOSS PER WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED:			
CONTINUING OPERATIONS			
		\$ (0.01)	\$ (0.01)
DISCONTINUED OPERATIONS			
		\$ 0.00	\$ (0.00)
CONTINUING AND DISCONTINUED OPERATIONS			
		\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED			
		160,897,721	78,366,242

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

BLUERUSH INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE NINE MONTHS ENDED APRIL 30, 2021 and 2020****(Presented in Canadian Dollars)****(Unaudited)**

	Note	2021	2020
REVENUE			
Subscriptions and support	17	\$ 1,487,018	\$ 910,909
Services	17	1,009,893	2,065,188
Interest		705	16,083
		2,497,616	2,992,180
COST OF SALES			
Subscriptions and support	18	274,062	287,980
Services	18	720,317	1,141,625
		994,379	1,429,605
GROSS PROFIT		1,503,237	1,562,575
EXPENSES			
Sales and marketing	18	1,663,772	1,786,974
General and administrative	18	1,044,725	1,055,217
Research and development	18	1,148,214	1,170,984
Restructuring costs		18,101	19,019
Share-based payments	15, 16	529,651	88,532
Interest and bank charges		330,142	286,991
Amortization of equipment and right-of-use assets	5, 6	108,727	107,744
Amortization of intangible assets and contract costs	7, 22	82,318	62,987
Total Expenses		4,925,650	4,578,448
LOSS FROM OPERATIONS BEFORE OTHER INCOME AND TAXES		(3,422,413)	(3,015,873)
Other income	20	381,541	207,907
LOSS BEFORE TAXES		(3,040,872)	(2,807,966)
Deferred income tax recovery		(22,220)	(18,454)
LOSS FROM CONTINUING OPERATIONS		(3,018,652)	(2,789,512)
LOSS FROM DISCONTINUED OPERATIONS		-	2,203,186
NET LOSS AND COMPREHENSIVE LOSS		\$ (3,018,652)	\$ (586,326)
LOSS PER WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED:			
CONTINUING OPERATIONS		\$ (0.03)	\$ (0.04)
DISCONTINUED OPERATIONS		\$ 0.00	\$ 0.03
CONTINUING AND DISCONTINUED OPERATIONS		\$ (0.03)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED		105,808,384	77,839,861

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE NINE MONTHS ENDED APRIL 30, 2021 and 2020

(Presented in Canadian Dollars)

(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity (Deficiency)
Balance - August 1, 2019		75,251,848	\$ 2,804,938	\$ 2,054,753	\$ (7,745,487)	\$ (2,885,796)
Common shares issued	14	470,085	35,471	(35,471)	-	-
Exercise of warrants	14, 16	2,644,309	202,081	(59,626)	-	142,455
Warrant expired	16	-	73,804	(73,804)	-	-
Share-based payments	15	-	-	88,532	-	88,532
Net loss		-	-	-	(586,326)	(586,326)
Balance - April 30, 2020		78,366,242	\$ 3,116,294	\$ 1,974,384	\$ (8,331,813)	\$ (3,241,135)
Balance - August 1, 2020		78,366,242	3,042,490	2,180,090	(9,059,718)	(3,837,138)
Conversion of certain 2018 convertible debentures	14	11,904,759	1,329,704	(223,467)	-	1,106,237
Conversion of all 2020 convertible debentures	14	24,166,664	1,453,113	(97,450)	-	1,355,663
Private placement	14, 16	47,619,046	3,199,378	1,026,944	-	4,226,322
Broker warrants for private placement	16	-	-	334,180	-	334,180
Incentive warrants for 2018 convertible debts conversion	16	-	-	413,080	-	413,080
Share-based payments	15	-	-	109,820	-	109,820
Net loss		-	-	-	(3,018,652)	(3,018,652)
Balance - April 30, 2021		162,056,711	\$ 9,024,685	\$ 3,743,197	\$ (12,078,370)	\$ 689,512

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

BLUERUSH INC.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED APRIL 30, 2021 and 2020 (Presented in Canadian Dollars) (Unaudited)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		\$ (3,018,652)	\$ (586,326)
Items not requiring an outlay of cash:			
Depreciation of equipment and right-of-use assets	5, 6	108,727	107,744
Amortization of intangible assets	7	62,988	65,477
Amortization of contract costs	22	19,330	-
Share-based payments	15	109,820	88,532
Inducement expenses	16	413,080	-
Accretion and accrued interest		(65,440)	167,955
Gain on sale of asset		-	(2,216,205)
Deferred income taxes		(22,219)	(18,454)
Unrealized loss (gain) on foreign exchange		55,496	-
Changes in non-cash working capital:			
Accounts receivable		(220,345)	(106,133)
Prepays and other assets		(110,565)	(15,407)
Work in process		7,747	(90,364)
Unbilled revenue		67,334	(127,090)
Contract Costs		(77,320)	-
Investment tax credits refundable		90,934	(75,503)
Accounts payable and accrued liabilities		193,802	337,582
Contract liabilities		209,964	(323,323)
Provision		(42,102)	-
NET CASH USED IN OPERATING ACTIVITIES		(2,217,421)	(2,791,515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short term debt	9	(165,500)	(118,520)
Proceeds from units issued in private placement, net of cash costs	14	4,560,501	-
Repayment of lease liabilities	12	(108,987)	(104,012)
Proceeds from exercise of warrants	14, 16	-	142,455
Repayment of term loans	11	(100,700)	(115,102)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		4,185,314	(195,179)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of discontinued operations	19	-	2,266,737
Proceeds from (purchases of) short term investments	4	-	17,585
Purchase of equipment	5	(23,129)	(9,019)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(23,129)	2,275,303
NET INCREASE (DECREASE) IN CASH		1,944,764	(711,391)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(55,496)	-
CASH, BEGINNING OF PERIOD		1,343,953	887,833
CASH, END OF PERIOD		\$ 3,233,221	\$ 176,442
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid		\$ 382,546	\$ 119,036
Income taxes paid		\$ -	\$ -

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

I. NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

Statement of Compliance

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

These financial statements should be read in conjunction with the Company's 2020 annual financial statements and applies the same accounting policies unless otherwise noted.

These financial statements were authorized by the Board of Directors on June 28, 2021.

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.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

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 nine months ended April 30, 2021 of \$3,018,652 and has an accumulated deficit of \$12,078,370 as at April 30, 2021 (July 31, 2020 - \$9,059,718). The Company has funded its general working capital, research and development (“R&D”) and sales & marketing needs principally through the issuance of securities and convertible debentures. As at April 30, 2021 the Company had current assets of \$4,205,529 (July 31, 2020 - \$2,151,261) and current liabilities of \$3,059,740 (July 31, 2020 - \$2,895,752) and working capital of \$1,145,789 (July 31, 2020 - deficit of 744,491). The Company’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. On February 11, 2021, the Company closed a non-brokered private placement financing pursuant to which the Company raised gross proceeds of \$5,000,000 through the issuance of 47,619,046 units of the Company at \$0.105 per Unit. There is no certainty that such funding will be available on a going concern basis. 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 continues to evaluate the impact of COVID-19 on the Company’s business including state of capital markets, funding any expansion of its operations, expanded sales efforts, IndiVideo’s R&D investment, and strategic partnership agreements in global territories. The outbreak may also cause staff shortages, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company.

The governments of jurisdictions in which the Company operates have approved legislation with the intent to provide aid to businesses affected by COVID-19. This included the Canada Emergency Wage Subsidy (CEWS), announced by the Government of Canada in April 2020. Subsidies have been made available to qualifying entities to offset certain expenses relating to employee wages, payroll taxes and office rent. For the quarter ended April 30, 2021, the Company qualified and submitted claims for \$101,958 (April 30, 2020 - \$207,907) and recognized as other income in the unaudited condensed consolidated interim statements of comprehensive loss.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

Discontinued Operations

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

- (a) represents a separate major line of business or geographical area of operations,
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- (c) is a subsidiary acquired exclusively with a view to resale.

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

IFRS 16, Leases (“IFRS 16”)

Leases

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

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

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

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

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transition

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

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

- i) Leases with a remaining lease term of fewer than twelve months can be classified as short-term leases.
- ii) Leases of low dollar value continue to be expensed as incurred.
- iii) Any immaterial rent concessions and deferrals as a direct consequence of the COVID-19 pandemic are not treated as lease modifications.

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

4. SHORT TERM INVESTMENTS

Short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of \$16,986, consisting of \$16,965 principal plus accrued interest of \$21 (July 31, 2020 - \$16,881, consisting of \$16,550 principal plus accrued interest of \$331) which bear interest at a nominal interest rate and mature in November 2021 at a projected value of \$17,007. The GICs were obtained as letters of credit for financing received as discussed in note 9.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

5. EQUIPMENT

The components of equipment are as follows as of April 30, 2021:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2020	\$ 88,806	\$ 160,782	\$ 249,588
Additions	833	22,296	23,129
Disposals	-	-	-
Closing balance - April 30, 2021	\$ 89,639	\$ 183,078	\$ 272,717

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2020	\$ 70,505	\$ 124,607	\$ 195,112
Amortization	2,630	9,950	12,580
Closing balance - April 30, 2021	\$ 73,135	\$ 134,557	\$ 207,692

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2020	\$ 18,301	\$ 36,175	\$ 54,476
Balance - April 30, 2021	\$ 16,504	\$ 48,521	\$ 65,025

6. RIGHT-OF-USE ASSETS

The components of right-of-use assets are as follows as of April 30, 2021:

Cost or Deemed Cost	
Opening balance - August 1, 2020	\$ 380,562
Additions	-
Closing balance - April 30, 2021	\$ 380,562

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

6. RIGHT-OF-USE ASSETS (Continued)

Accumulated Depreciation	
Opening balance - August 1, 2020	\$ 128,196
Depreciation	96,147
Closing balance - April 30, 2021	\$ 224,343

Carrying Value	
Balance - August 1, 2020	\$ 252,366
Balance - April 30, 2021	\$ 156,219

As a result of initially applying IFRS 16, the Company recognized right-of-use assets of \$380,562 as of August 1, 2019. Depreciation expense of \$32,049 and \$96,147 was recognized from these leases during the three and nine months ended April 30, 2021.

7. INTANGIBLES

The components of internally generated intangible assets are as follows as of April 30, 2021:

Cost	
Opening balance - August 1, 2020	\$ 419,923
Additions	-
Disposals	-
Closing balance - April 30, 2021	\$ 419,923

Accumulated Amortization	
Opening balance - August 1, 2020	\$ 319,241
Amortization	62,988
Disposals	-
Closing balance - April 30, 2021	\$ 382,229

Carrying Value	
Balance - August 1, 2020	\$ 100,682
Balance - April 30, 2021	\$ 37,694

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	April 30, 2021	July 31, 2020
Trade accounts payable	\$ 475,075	\$ 442,823
Accrued liabilities	121,210	172,917
Accrued vacation payable and other employee benefits	323,018	301,631
Customer deposits	358,969	167,100
	<u>\$ 1,278,272</u>	<u>\$ 1,084,471</u>

9. SHORT TERM DEBT

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

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

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

9. SHORT TERM DEBT (Continued)

The loans are secured granting IQ a senior-ranking hypothec in the amount of \$337,900 and an additional hypothec in the amount of \$67,580 (being \$34,480 related to the 2018 SRED claim advances and \$33,100 related to the 2019 SRED claim advances) charging the universality of the Company's present and future claims and accounts receivable, giving priority to the Company's present and future tax credits. In addition, the Company must maintain an irrevocable standby letter of credit in favour of IQ representing an amount of 10% of the loans guaranteeing all the Company's obligations under the loans, with maturity dates of February 21, 2020 for the 2018 SRED claim advances and February 19, 2021 for the 2019 SRED claim advances. As discussed in note 4, the Company has secured letters of credit totalling \$16,965 plus any accrued interest (July 31, 2020 - \$16,550) with one year GICs at a nominal interest rate. During the nine months ended April 30, 2021, the Company repaid the full amount of the fiscal 2019 SRED advances to IQ in the amount of \$165,500.

10. CONTRACT LIABILITIES

Contract liability is an entity's obligation to transfer services to a customer for which the entity has received consideration, commonly referred to as deferred revenue. The following table represents changes in contract liabilities for the nine months ended April 30, 2021:

Balance - August 1, 2020	\$	1,066,461
Invoiced during the period, excluding amount recognized as revenue		2,430,917
Amount recognized as revenue		(2,220,953)
Balance - April 30, 2021	\$	1,276,425

11. TERM LOANS

	April 30, 2021	July 31, 2020
Investissement Quebec (i)	\$ 229,319	\$ 280,319
Business Development Bank of Canada (ii)	121,220	170,920
	350,539	451,239
Transaction costs	(3,566)	(11,548)
Current portion	(329,259)	(364,219)
	\$ 17,714	\$ 75,472

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

11. TERM LOANS (Continued)

- (i) In June and July 2015, the Company received a term loan from Investissement Quebec ("IQ") in the amount of \$1,000,000 to fund working capital 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, 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 July 31, 2020, 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 April 30, 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.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

11. TERM LOANS (Continued)

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

2021 (Three months)	\$	78,200
2022		257,359
2023		14,980
	\$	350,539

12. LEASE LIABILITIES

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

The following table presents the lease liabilities for the Company:

	Nine months ended April 30, 2021	Year ended July 31, 2020
Balance - beginning of period	\$ 252,227	\$ -
Lease liabilities on transition to IFRS 16 - August 1, 2019	-	365,858
Interest payable on lease liabilities	14,511	29,267
Repayments during the period	(108,986)	(142,898)
Balance - end of period	157,752	252,227
Current portion	(130,414)	(127,629)
Non-current portion	\$ 27,338	\$ 124,598

The following table presents the contractual undiscounted cash flows for lease obligations as of April 30, 2021:

Less than one year	\$	138,699
Two to five years		27,568
More than five years		-
	\$	166,267

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

13. CONVERTIBLE DEBENTURES

	April 30, 2021	July 31, 2020
Principal amount	\$ 3,450,000	\$ 2,000,000
Addition	-	1,450,000
Equity component on initial recognition	(632,320)	(632,320)
Transaction costs	(55,871)	(55,871)
Accretion	260,669	174,627
Accrued interest	551,151	361,302
Interest payment	(476,151)	(112,432)
Conversion	(2,378,576)	-
	\$ 718,902	\$ 3,185,306

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

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

13. CONVERTIBLE DEBENTURES (Continued)

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

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

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

13. CONVERTIBLE DEBENTURES (Continued)

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

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.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

13. CONVERTIBLE DEBENTURES (Continued)

On January 29th, 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:

2021	\$	18,904
2022		75,000
2023		75,000
2024		93,904
Thereafter		-
	\$	262,808

14. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 162,056,711 common shares issued and outstanding as at April 30, 2021 (78,366,242 as at July 31, 2020).

During the nine months ended April 30, 2021, warrant holders did not exercise any warrants.

On February 11, 2021, the Company completed a non-brokered private placement consisting of 47,619,046 units at a price of \$0.105 per share for gross proceeds of \$5 million. 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 a 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 \$48,847.

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 I 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.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

14. SHARE CAPITAL (Continued)

During the nine months ended April 30, 2020, warrant holders exercised 2,059,169 warrants at \$0.05 for total gross proceeds of \$102,958 and 585,140 warrants at \$0.0675 for total gross proceeds of \$39,497. In addition, 470,085 common shares were issued for warrants exercised prior to July 31, 2019 but not issued until August 2019, with a corresponding transfer of \$35,471 related to this exercise from contributed surplus to share capital.

15. SHARE-BASED PAYMENTS

A summary of the status of the Company's stock options as at April 30, 2021 and 2020 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2021		Nine months ended April 30, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	12,892,754	\$ 0.09	12,830,000	\$ 0.12
Granted	8,700,000	0.15	4,343,312	0.05
Exercised	-	-	-	-
Expired	(1,149,442)	0.10	(3,975,000)	0.15
Outstanding - end of period	20,443,312	\$ 0.11	13,198,312	\$ 0.09
Exercisable - end of period	8,369,262	\$ 0.10	7,089,015	\$ 0.11

The weighted average remaining contractual life of stock options as of April 30, 2021 is 3.63 years (July 31, 2020 - 3.31 years).

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

15. SHARE-BASED PAYMENTS (Continued)

The Company had the following stock options outstanding as of April 30, 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	1.03
3,500,000	3,500,000	0.100	December 11, 2022	1.62
1,750,000	1,750,000	0.120	March 7, 2023	1.85
50,000	50,000	0.150	November 15, 2023	2.55
500,000	361,100	0.080	February 1, 2024	2.76
1,025,000	626,375	0.085	June 12, 2024	3.12
425,000	200,683	0.080	November 8, 2024	3.53
3,918,312	1,306,104	0.050	April 10, 2025	3.95
1,450,000	-	0.120	January 13, 2026	4.71
7,250,000	-	0.160	April 23, 2026	4.98
20,443,312	8,369,262			

On November 8, 2019, the Company granted 425,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.08. One third of the options vest on November 8, 2020 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 April 10, 2020, the Company granted 3,918,312 options to an employee of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.05. 326,526 options vest on July 10, 2020 and thereafter the remaining options vest monthly over a period of 33 months. The options expire in five years from the date of grant.

On January 13, 2021, the Company granted 1,450,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.12. One third of the options vest on January 13, 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 April 23, 2021, the Company granted 7,250,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.16. One third of the options vest on April 23, 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.

Share-based payments for all vested options for the three and nine months ended April 30, 2021 was \$49,980 and \$109,820, respectively (three and nine months ended April 30, 2020 - \$(8,706) and \$88,532, respectively), which was credited to contributed surplus and expensed to share-based payments.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

16. SHARE PURCHASE WARRANTS

During the nine months ended April 30, 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 accrued a finder's fee in cash of \$375,370 and 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.

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 \$419,831. 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 inducement expense is included in share based payment expenses in the condensed consolidated statements of comprehensive loss for three and nine months ended April 30, 2021, net of issuance costs.

During the nine months ended April 30, 2020, warrant holders exercised 2,059,169 warrants at \$0.05 for total gross proceeds of \$102,958 and 585,140 warrants at \$0.0675 for total gross proceeds of \$39,497. As a result, \$59,626 was transferred from contributed surplus to share capital representing the relative fair value of these warrants exercised into common shares, net of transaction costs. The weighted average market price of warrants exercised on the date of issuance was \$0.08.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

16. SHARE PURCHASE WARRANTS (Continued)

A summary of the status of the Company's warrants as at April 30, 2021 and 2020 and changes during the nine months then ended is presented below:

	Nine months ended April 30, 2021		Nine months ended April 30, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	370,000	\$ 0.102	6,129,933	\$ 0.058
Granted	57,146,376	0.175	-	-
Exercised	-	-	(2,644,309)	0.054
Expired	(320,000)	0.105	(3,115,624)	0.057
Outstanding - end of period	57,196,376	\$ 0.175	370,000	\$ 0.102

The Company had the following warrants outstanding as at April 30, 2021:

Number of Warrants Outstanding	Number of Warrants Exercisable	Exercise Price \$	Expiry Date	Remaining Life (Years)
50,000	50,000	0.085	May 15, 2021	0.04
37,130,238	37,130,238	0.180	January 29, 2024	2.75
5,952,378	5,952,378	0.180	January 29, 2024	2.75
80,000	80,000	0.105	January 29, 2024	2.75
2,741,200	2,741,200	0.105	February 09, 2024	2.78
6,050,904	6,050,904	0.180	February 09, 2024	2.78
408,720	408,720	0.105	February 09, 2024	2.78
125,000	125,000	0.180	February 10, 2024	2.78
4,312,904	4,312,904	0.180	February 11, 2024	2.79
345,032	345,032	0.105	February 11, 2024	2.79
57,196,376	57,196,376			

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

17. 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.

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 April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Subscription and support Services	\$ 517,878 251,247	\$ 359,652 697,411	\$ 1,487,018 1,009,893	\$ 910,909 2,065,188
	\$ 769,125	\$ 1,057,063	\$ 2,496,911	\$ 2,976,097

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

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Canada	\$ 245,949	\$ 288,357	\$ 951,419	\$ 983,948
USA	423,532	691,522	1,251,851	1,764,636
Other	99,644	77,184	293,641	227,513
	\$ 769,125	\$ 1,057,063	\$ 2,496,911	\$ 2,976,097

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

18. EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

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

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Salaries and benefits	\$ 28,891	\$ 36,086	\$ 63,183	\$ 133,628
Subcontracting	10,768	6,952	47,443	28,029
Hosting	53,784	56,834	163,436	126,323
	\$ 93,443	\$ 99,872	\$ 274,062	\$ 287,980

Cost of Sales - Services

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

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Salaries and benefits	\$ 88,477	\$ 142,876	\$ 409,079	\$ 396,918
Subcontracting	50,959	203,919	298,870	725,085
Other production costs	4,135	5,819	12,368	19,622
	\$ 143,571	\$ 352,614	\$ 720,317	\$ 1,141,625

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

18. EXPENSES BY NATURE (Continued)

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Salaries and benefits	\$ 443,340	\$ 369,358	\$ 1,060,418	\$ 1,255,994
Advertising and promotion	160,722	92,479	342,634	343,899
Subcontracting	95,425	31,885	231,240	54,347
Travel	7,741	21,414	21,272	106,186
Meals and entertainment	1,526	3,549	8,208	26,548
	\$ 708,754	\$ 518,685	\$ 1,663,772	\$ 1,786,974

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Salaries and benefits	\$ 161,496	\$ 180,945	\$ 445,716	\$ 610,545
Professional fees	30,715	56,992	140,170	126,312
TMI and occupancy costs	21,536	20,433	51,503	60,433
Consulting	41,000	1,840	123,000	32,808
Computer and software	28,139	33,038	77,845	131,208
Training and recruitment	1,900	2,401	7,955	15,235
Office and general	4,727	(634)	15,594	26,080
Telecommunications	8,652	8,573	24,170	26,933
Stock exchange expense	45,931	12,736	54,626	38,773
Insurance	6,769	6,586	20,377	19,340
Foreign exchange	29,603	(33,881)	83,769	(32,450)
	\$ 380,468	\$ 289,029	\$ 1,044,725	\$ 1,055,217

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

18. EXPENSES BY NATURE (Continued)

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended April 30, 2021	Three months ended April 30, 2020	Nine months ended April 30, 2021	Nine months ended April 30, 2020
Salaries and benefits	\$ 406,649	\$ 306,211	\$ 1,008,639	\$ 908,863
Subcontracting	19,581	73,625	100,271	268,261
Other government grants	-	(215)	18,312	(14,676)
Other costs	6,673	8,536	20,992	8,536
	\$ 432,903	\$ 388,157	\$ 1,148,214	\$ 1,170,984

19. DISCONTINUED OPERATIONS

On September 4, 2019, the Company sold its DigitalReach platform and Broadridge's Smart Advisor application to a U.S. company for \$2,300,000 in cash. The operations of DigitalReach and Smart Advisor have been transferred to the U.S. company and are presented as discontinued operations in the condensed consolidated interim statements of comprehensive loss for the three and nine months ended April 30, 2021.

The gain on sale of asset is calculated as follows:

	2020
Cash proceeds	\$ 2,300,000
Transaction costs	(33,263)
Net sale proceeds	2,266,737
Net assets sold	(50,532)
Gain on sale	\$ 2,216,205

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

19. DISCONTINUED OPERATIONS (Continued)

The financial performance presented is for the three and nine months ended April 30, 2021 and 2020. The results of discontinued operations are as follows:

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020	Nine Months Ended April 30, 2021	Nine Months Ended April 30, 2020
REVENUE				
Subscriptions and support Services	\$ -	\$ -	\$ -	\$ 83,801
	-	1,200	-	1,200
	-	1,200	-	85,001
COST OF SALES				
Subscriptions and support Services	-	-	-	3,346
	-	-	-	8,664
	-	-	-	12,010
GROSS PROFIT	-	1,200	-	72,991
EXPENSES				
Research and development	-	-	-	35,016
General and administrative	-	26,927	-	46,222
Sales and marketing	-	-	-	2,283
Amortization of intangible assets	-	-	-	2,489
Total expenses	-	26,927	-	86,010
INCOME (LOSS) FROM OPERATIONS	\$ -	\$ (25,727)	\$ -	\$ (13,019)
Gain on sale	-	-	-	2,216,205
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	\$ -	\$ (25,727)	\$ -	\$ 2,203,186

20. OTHER INCOME: GOVERNMENT GRANTS

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

The Company has elected to compare the revenue during the availability period to the average of January and February 2020 as baseline revenues on accrual basis.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

20. OTHER INCOME: GOVERNMENT GRANTS (Continued)

The Company was also eligible for Canada Emergency Rent Subsidy (CERS). The CERS subsidy became available retroactively to September 27, 2020, until June 2021. The CERS legislation is built on the same revenue decline mechanics used by the CEWS program.

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020	Nine Months Ended April 30, 2021	Nine Months Ended April 30, 2020
Canada Emergency Wage Subsidy	\$ 89,696	\$ 207,907	\$ 354,054	\$ 207,907
Canada Emergency Rent Subsidy	12,262	-	27,487	-
Total	\$ 101,958	\$ 207,907	\$ 381,541	\$ 207,907

The assistance received from CEWS and CERS 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.

21. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's related party transactions for the three and nine months ended April 30, 2021 and 2020, were all paid to key management personnel and were as follows:

	Three Months Ended April 30, 2021	Three Months Ended April 30, 2020	Nine Months Ended April 30, 2021	Nine Months Ended April 30, 2020
Salaries and benefits	\$ 301,450	\$ 237,321	\$ 956,743	\$ 911,221
Share-based payments (i)	23,293	(17,961)	61,803	37,708
	\$ 324,743	\$ 219,360	\$ 1,018,546	\$ 948,929

- i) Share-based payments for officers/directors are comprised of the vested value of stock options expensed during the three and nine months ended April 30, 2021 and 2020.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

22. CONTRACT COST

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

The following table represents changes in contract costs for the nine months ended April 30, 2021:

Balance - August 1, 2020	\$ -
Additions	77,320
Amortization	(19,330)
Balance - April 30, 2021	\$ 57,990

23. FINANCIAL INSTRUMENTS

Credit Risk

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

Management regularly reviews the credit terms and monitors the age and balances outstanding. Payment terms with customers are normally 30 days from invoice date. For the nine months ended April 30, 2021, the company has recorded a provision for Expected Credit Losses (ECL) of \$8,176 (July 31, 2020 - \$2,230). Major customer: As at April 30, 2021, approximately 55% of the Company's accounts receivable are due from two significant customers.

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

23. FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

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

	ECL %	April 30, 2021	July 31, 2020
Current	0.5%	\$ 302,970	\$ 147,718
Over 30 days past due	1.0%	44,245	115,038
Over 60 days past due	2.5%	81,688	432
Over 90 days past due	5.0%	62,942	2,366
Less: Provision for ECLs		(8,176)	(2,230)
		\$ 483,669	\$ 263,324

Liquidity Risk

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

The Company is exposed to liquidity risk on accounts payable to its suppliers, which arise in the normal course of operations and are due in less than one year, its term loans and convertible debentures, which are repayable in various monthly & quarterly installments as discussed in note 11 & 13. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows and budgets on all contracts, while maintaining adequate working capital on hand to meet its future obligations. As of April 30, 2021, the Company had cash on hand of \$3,233,221 and accounts receivable of \$483,669 to meet working capital requirements.

As at April 30, 2021, the Company's current assets exceed current liabilities by \$1,145,789 (as of July 31, 2020, current liabilities exceed current assets by \$744,491). Of this amount, \$1,276,425 (\$1,066,461 - July 31, 2020) relates to contract liabilities (Note 10), which is expected to be settled through the performance of service in the normal course. The current liabilities also include current portion of term loans of \$329,259 (\$364,219 - July 31, 2020) (Note 11) and current portion of lease liabilities of 130,414 (127,629 - July 31, 2020) (Note 12).

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

23. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk (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 and have been partially converted have an interest only payment due quarterly until maturity with next payment on July 31, 2021 (Note 13).

Market Risk

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

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 the 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 April 30, 2021, the Company's foreign denominated monetary assets and monetary liabilities as expressed in USD\$ is \$855,979 (July 31, 2020 - USD\$550,116) and converted at the quarter end exchange rate of 1.23 and 1.34, respectively. For the quarter ended April 30, 2021, the Company recognized a loss on foreign exchange of \$29,603 (July 31, 2020 - gain of \$12,719).

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

(Presented in Canadian Dollars)
(Unaudited)

23. FINANCIAL INSTRUMENTS (Continued)

Exposure to Currency Risk

	April 30, 2021	July 31, 2020
	Expressed in USD\$	Expressed in USD\$
Cash	\$ 608,573	\$ 373,657
Trade receivables	270,493	195,638
Trade payables	(23,087)	(19,179)
Net statement of financial position exposure (USD\$)	\$ 855,979	\$ 550,116
Average USD to CAD exchange rate	1.26	1.35
Spot rate USD to CAD exchange rate	1.23	1.34

Sensitivity Analysis

A reasonably possible (strengthening) weakening of the CAD against the USD on April 30, 2021 and July 31, 2020 would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amount shown below.

The potential effect of a 5% increase or decrease in net exposure due to the USD transactions would result in an increase or decrease in net earnings of approximately \$52,579 (July 31, 2020 - \$36,869). This analysis assumes that all other variables such as economic factors and interest rate, remain unchanged and ignores any impact of future sales and purchases.

	April 30, 2021 (spot rate)		July 31, 2020 (spot rate)	
	Strengthening	Weakening	Strengthening	Weakening
USD (5% movement)	\$ 1.29	\$ 1.17	\$ 1.41	\$ 1.27
USD (10% movement)	1.35	1.11	1.47	1.21
Impact: Profit and Loss				
USD (5% movement)	52,579	(52,579)	36,869	(36,869)
USD (10% movement)	\$ 105,157	\$ (105,157)	\$ 73,738	\$ (73,738)

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2021 AND 2020

**(Presented in Canadian Dollars)
(Unaudited)**

23. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

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

Fair Value

As at April 30, 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.