

BLUERUSH INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2023 AND 2022
(Presented in Canadian Dollars)**



**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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Notice to Reader

To the Shareholders of BlueRush Inc.:

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Inc. (the "Company") and its subsidiary as at and for the three and nine months ended April 30, 2023, and 2022 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 condensed consolidated interim financial statements, which comprise the condensed consolidated statements of financial position as at April 30, 2023 and April 30, 2022, and the condensed consolidated statements of loss and comprehensive loss, changes in deficit and cash flows for the 9 months periods then ended, and the notes to condensed consolidated interim financial statements, including the summary of significant accounting policies.

BLUERUSH INC.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF APRIL 30, 2023 AND 2022, AND JULY 31, 2022 (Presented in Canadian Dollars)

		April 30, 2023 (Unaudited)	April 30, 2022 (Unaudited)	July 31, 2022 (Audited)
	NOTES			
ASSETS				
Current Assets				
Cash		\$2,770,246	\$676,111	\$1,247,831
Short term investments	4	17,039	17,007	17,007
Accounts receivable	21	909,632	1,241,468	939,485
Prepays & other assets	5	141,845	130,825	149,024
Investment tax credits	19	619,452	312,487	484,452
Unbilled revenue		36,580	15,949	56,708
Contract costs - current portion	5	6,443	25,773	25,773
Total Current Assets		\$4,501,238	\$2,419,620	\$2,920,280
Non-Current Assets				
Equipment	6	54,718	73,786	67,387
Right of use assets	7	-	65,839	33,104
Contract costs	5	-	6,443	-
Total Assets		\$4,555,956	\$2,565,688	\$3,020,771
LIABILITIES & SHAREHOLDERS' DEFICIENCY				
Current Liabilities				
Accounts payable & other current liabilities	9,21	1,443,795	1,688,326	1,894,771
Deferred revenue	10	1,175,851	1,685,495	1,317,964
Term loans - current portion	11	4,480	19,403	14,980
Lease liabilities - current portion	12	-	56,341	19,970
Total Current Liabilities		2,624,126	3,449,565	3,247,685
Non-Current Liabilities				
Term loans	11	2,093,167	-	-
Convertible debentures	13	4,002,191	759,410	769,929
Subscriptions - future issuance	13	-	-	1,620,194
Lease liabilities	12	-	-	-
Deferred tax liability	19	254,840	-	-
Total Liabilities		8,974,324	4,208,975	5,637,808
Shareholders' Deficiency				
Share Capital	14,15,16	8,797,483	8,822,803	8,797,483
Contributed surplus	15,16	6,087,950	5,130,511	5,293,722
Deficit		(19,303,799)	(15,596,598)	(16,708,240)
Total Shareholders' Deficiency		(4,418,366)	(1,643,284)	(2,617,035)
Total Liabilities & Shareholders' Deficiency		4,555,956	2,565,688	3,020,771

Approved on Behalf of the Board

Signed – “Steve Taylor”, CEO

Signed – “Mark Soane”, Head of Audit Committee

See Accompanying Notes

BLUERUSH INC.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE 3 MONTHS ENDED APRIL 30, 2023 AND 2022 (Presented in Canadian Dollars)

		3 months ending April 30, 2023 (Unaudited)	3 months ending April 30, 2022 (Unaudited)
	NOTES		
REVENUE			
Subscriptions & support	17	\$755,636	\$584,883
Services	17	397,103	653,036
		1,152,739	1,237,919
COST OF SALES			
Subscriptions & support	18	145,734	57,834
Services	18	362,674	273,379
		508,408	331,213
GROSS PROFIT		644,331	906,706
<i>Gross Profit % - Subscription & support</i>		81%	90%
<i>Gross Profit % - Services</i>		9%	58%
<i>Gross Profit % - Total</i>		56%	73%
EXPENSES			
Sales & marketing	18	278,456	403,789
General & administrative	18	543,769	620,290
Research & development	18	270,752	399,634
Share-based payments	15	160,698	125,934
Interest & bank charges	21	325,463	31,754
Amortization of intangible assets	8	6,444	6,443
Depreciation of equipment & right-of-use assets	6,7	4,746	39,829
TOTAL EXPENSES		1,590,328	1,627,673
LOSS FROM OPERATIONS		(945,997)	(720,967)
Other income		(23,158)	(123)
LOSS BEFORE TAXES		(922,839)	(720,844)
Deferred income tax recovery	19	(21,273)	(2,646)
NET LOSS & COMPREHENSIVE LOSS		(\$901,566)	(\$718,198)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC & DILUTED		(\$0.026)	(\$0.021)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC & DILUTED		34,100,218	34,100,218

See Accompanying Notes

BLUERUSH INC.

CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FOR THE 9 MONTHS ENDED APRIL 30, 2023 AND 2022, AND 12 MONTHS ENDED JULY 31, 2022 (Presented in Canadian Dollars)

		9 months ending April 30, 2023 (Unaudited)	9 months ending April 30, 2022 (Unaudited)	12 months ending July 31, 2022 (Audited)
	NOTES			
REVENUE				
Subscriptions & support	17	\$2,254,711	\$1,706,846	\$2,330,736
Services	17	1,205,432	1,873,638	2,438,506
		3,460,143	3,580,484	4,769,242
COST OF SALES				
Subscriptions & support	18	223,555	151,090	200,677
Services	18	1,164,657	799,483	1,034,200
		1,388,212	950,573	1,234,877
GROSS PROFIT		2,071,931	2,629,911	3,534,365
<i>Gross Profit % - Subscription & support</i>		90%	91%	91%
<i>Gross Profit % - Services</i>		3%	57%	58%
<i>Gross Profit % - Total</i>		60%	73%	74%
EXPENSES				
Sales & marketing	18	967,870	1,332,406	2,129,170
General & administrative	18	1,925,999	1,982,660	2,773,283
Research & development	18	791,006	1,124,371	1,295,079
Share-based payments	15	160,698	363,225	501,116
Interest & bank charges	21	885,804	102,890	157,598
Amortization of intangible assets	8	19,332	36,028	42,471
Depreciation of equipment & right-of-use assets	6,7	41,023	118,325	158,879
TOTAL EXPENSES		4,791,732	5,059,905	7,057,596
LOSS FROM OPERATIONS		(2,719,801)	(2,429,994)	(3,523,231)
Other income		(60,548)	(13,866)	(1,427)
LOSS BEFORE TAXES		(2,659,253)	(2,416,128)	(3,521,804)
Deferred income tax recovery	19	(63,693)	(7,818)	(1,853)
NET LOSS & COMPREHENSIVE LOSS		(\$2,595,560)	(\$2,408,310)	(\$3,519,951)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC & DILUTED		(\$0.076)	(\$0.071)	(\$0.107)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC & DILUTED		34,100,218	34,100,218	32,833,562

See Accompanying Notes

BLUERUSH INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT FOR THE 9 MONTHS ENDED APRIL 30, 2023 AND 2022, AND 12 MONTHS ENDED JULY 31, 2022 (Presented in Canadian Dollars)

	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity (Deficit)
Balance - August 1, 2022		34,100,218	\$8,797,483	\$5,293,722	(\$16,708,240)	(\$2,617,035)
Share-based payments				\$160,698		160,698
Private placement - equity portion	13			63,308		63,308
Private placement - warrants	13,16			408,204		408,204
Broker warrants for private placement	13,16			162,018		162,018
Net loss					(2,595,559)	(2,595,559)
Balance - April 30, 2023		34,100,218	\$8,797,483	\$6,087,950	(\$19,303,799)	(\$4,418,366)
Balance - August 1, 2021		32,411,343	\$8,403,731	\$4,672,262	(\$13,188,289)	(\$112,296)
Exercise of stock options	15	2,000	1,966	(966)		1,000
Share-based payments	15			363,225		363,225
Broker warrants for private placement	14			314		314
Private placement	14	1,686,875	417,106	95,676		512,782
Net loss					(2,408,310)	(2,408,310)
Balance - April 30, 2022		34,100,218	\$8,822,803	\$5,130,510	(\$15,596,599)	(\$1,643,286)
	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity (Deficit)
Balance - July 31, 2021		32,411,343	\$8,403,731	\$4,672,263	(\$13,188,289)	(\$112,295)
Exercise of stock options	15	2,000	1,966	(966)	0	1,000
Share-based payments	15	0	0	501,116	0	501,116
Broker warrants for private placement	14	0	0	312	0	312
Private placement	14	1,686,875	391,786	120,997	0	512,783
Net loss		0	0	0	(3,519,951)	(3,519,951)
Balance - July 31, 2022		34,100,218	\$8,797,483	\$5,293,722	(\$16,708,240)	(\$2,617,035)

See Accompanying Notes

BLUERUSH INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED APRIL 30, 2023 AND 2022, AND 12 MONTHS ENDED JULY 31, 2022 (Presented in Canadian Dollars)

		9 months ending April 30, 2023 (Unaudited)	9 months ending April 30, 2022 (Unaudited)	12 months ending July 31, 2022 (Audited)
	NOTES			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss		(2,595,561)	(2,408,310)	(3,519,951)
Items not requiring an outlay of cash:				
Depreciation of equipment & right-of-use assets	6,7	41,023	118,325	158,879
Amortization of intangible assets	8	-	36,028	16,698
Bad debt expense	18	(65,106)	-	84,153
Share-based payments	15	160,698	363,225	501,116
Discount on convertible debentures	13	214,050	-	-
Broker warrants	14	31,023	-	312
Accretion & accrued interest		633,263	55,865	41,130
Unrealized gain on foreign exchange			3,403	
Deferred income taxes	19	(63,693)	(7,818)	(1,863)
Changes in non-cash working capital:				
Accounts receivable	21	29,853	(511,117)	(293,286)
Prepays & other assets	5	7,119	(28,164)	(27,090)
Unbilled revenue		20,128	2,739	(38,021)
Contract costs	5	19,331	-	25,773
Investment tax credits refundable	19	(135,000)	59,755	(112,211)
Accounts payable & accrued liabilities	9	(529,490)	4,426	210,871
Deferred revenue	10	(142,114)	705,532	338,001
Cash used in Operating Activities		(2,374,476)	(1,606,111)	(2,615,488)
CASH FLOWS FROM FINANCING ACTIVITIES				
(Repayment of) proceeds from short-term debt		(10,500)	-	-
Repayment of lease liabilities	12	(19,970)	(111,012)	(104,628)
Proceeds from units issued in private placement, net of cash costs	13	-	515,971	512,783
Proceeds from future subscriptions	13	-	-	1,620,194
Proceeds from convertible debentures, net of transaction costs	13	2,275,145	-	-
Transaction costs of convertibles	13	(334,755)	-	-
Proceeds from exercise of stock options	15	-	1,000	1,000
Proceed from term loans	11	2,000,000	-	-
Transaction costs of term loan	11	(11,500)	-	-
Repayment of term loans	11	-	(251,059)	(253,793)
Cash provided by Financing Activities		3,898,420	154,900	1,775,557
CASH FLOWS FROM INVESTING ACTIVITIES				
Lease extension right-of-use asset	7	-	-	(38,044)
Purchase of equipment	6	(1,589)	(13,696)	(15,117)
Cash used in Investing Activities		(1,589)	(13,696)	(53,161)
Net (decrease) increase in cash		1,522,355	(1,464,907)	(893,092)
Cash, beginning of period		1,247,891	2,141,018	2,140,923
Cash, end of period		2,770,246	676,111	1,247,831

See Accompanying Notes

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2023 AND 2022 AND 12 MONTHS ENDED JULY 31, 2022 (Presented in Canadian Dollars)

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 customisable 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 5700 Yonge Street, Toronto, Ontario, 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 and Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved these consolidated financial statements for issue on June 30, 2023.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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.

Going Concern

The consolidated financial statements are prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months. The Company has incurred losses from continuing operations during the 9 months ended April 30, 2023, of \$2,595,560 (9 months ended April 30, 2022, of \$2,408,310, and 12 months ended July 31, 2022, of \$3,519,951) and as of April 30, 2023, has an accumulated deficit of \$19,303,799 (April 30, 2022 - \$15,596,598, and July 31, 2022 - \$16,708,240).

The Company has funded its general working capital, research & development ("R&D") and sales & marketing needs principally through the issuance of securities and convertible debentures. There is no certainty that such funding will be available going forward.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2023 AND 2022 AND
12 MONTHS ENDED JULY 31, 2022
(Presented in Canadian Dollars)**

2. BASIS OF PREPARATION (continued)**Going Concern (continued)**

As at April 30, 2023, the Company had current assets of \$4,501,238 (April 30, 2022 - \$2,419,620 and July 31, 2022 - \$2,920,280) and current liabilities of \$2,624,126 (April 30, 2022 - \$3,449,565 and July 31, 2022 - \$3,247,685). The significant improvement in working capital is mainly due to the private placement and financing concluded during the nine months period ended April 30, 2023.

These conditions raise significant doubt about its ability to continue as a going concern and realize its assets and pay its liabilities as they become due.

In order for the Company to continue 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 and strategic partnership agreements.

In addition, if the Company raises additional funds by issuing equity securities, then existing security holders will likely experience dilution, and the incurring of indebtedness would result in increased debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on its part to raise additional funds on terms favourable to the Company or at all, may require the Company to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities.

3. SIGNIFICANT ACCOUNTING POLICIES**Revenue Recognition**

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

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

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

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12 MONTHS ENDED JULY 31, 2022
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Revenue Recognition (continued)***Subscriptions*

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

Professional services

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

Interest

Interest income is accounted for on an accrual basis using the effective interest method.

Contract Costs

- (i) The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs.
- (ii) Contract costs recognized as an asset are amortized rateably over the contract period, consistent with the transfer to the customer of the services to which the asset relates.
- (iii) As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company otherwise would have recognized is one year or less.

Right-of-Use Assets

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date for leases with terms of more than 12 months. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use assets are depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method.

The remaining lease term is 3 months for the facilities.

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12 MONTHS ENDED JULY 31, 2022
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the statement of financial position date and any gains or losses are recognized in the consolidated statement of loss and comprehensive loss.

Intangible Assets

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- (e) the availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized once the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitalized to the intangible. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their estimated useful life of five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. An impairment loss is recognized in profit or loss when the recoverable amount is less than the net carrying amount.

Share-Based Payments

The Company operates a stock option plan as part of its compensation of directors, officers, or employees. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase in stock-based compensation expense and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase in capital stock. In the event that the vested stock options expire, previously recognized stock-based compensation is not reversed. In the event that stock options are forfeited, previously recognized stock-based compensation associated with the unvested portion of the stock options forfeited is reversed.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based payments (continued)**

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods or services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the good or services.

Accounts Receivable

Accounts receivable are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment of trade accounts receivable. A provision for impairment of trade accounts receivable is established based on a forward-looking "expected credit loss" impairment model. The carrying amount of the trade receivables is reduced through the use of the provision for impairment account, and the amount of any increase in the provision for impairment is recognized in the consolidated statement of operations and comprehensive loss. When a trade receivable is uncollectible, it is written off against the provision for impairment account for trade accounts receivable. Subsequent recoveries of amounts previously written off are credited to the consolidated statement of loss and comprehensive loss.

Convertible Debentures

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

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

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

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

BLUERUSH INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2023 AND 2022 AND 12 MONTHS ENDED JULY 31, 2022 (Presented in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (Loss) Per Share

Basic earnings (loss) per common share is determined by dividing net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting the weighted average number of shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential common shares, which are comprised of outstanding warrants and vested stock options. Diluted earnings (loss) per common share assumes that any proceeds received from in-the-money options and warrants would be used to buy common shares at the average market price for the period.

Equipment

Equipment is recorded at cost and is depreciated over its estimated useful lives, at the following annual rates and methods:

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

Impairment of Long-Lived Assets

At the end of each reporting date, the carrying amounts of the Company's long-lived assets, which are comprised of equipment and internally generated intangible assets that are available for use, are reviewed to determine whether there is any indication that those assets may be impaired. If such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The carrying amount of the Company's internally generated intangible assets that are not yet available for use are required to be reviewed for impairment annually by comparing the carrying amount with its recoverable amount.

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case the individual assets are grouped together into cash generating units ("CGUs") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use.

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net earnings (loss) for the period.

At the end of each reporting period, the Company assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company will estimate the recoverable amount of that asset and reverse the impairment loss recognized in prior periods. The reversal of an impairment loss will not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Impairment of Long-Lived Assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying value if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in net earnings (loss).

Investment Tax Credits

An estimate of investment tax credits ("ITC") on scientific research and experimental development ("SRED") expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the ITC will be recovered or realized. The expenditures are reduced by the amount of the estimated investment tax credit. SRED ITCs include refundable and non-refundable tax credits. Refundable ITCs are refunded to the Company once assessed by the government agency. Unused non-refundable ITCs are carried forward to reduce taxes payable of future years and expire 20 years from the year they were granted.

Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in net earnings (loss) except to the extent that it relates to items in equity, in which case it is recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Warrants

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. The warrant component is recorded in contributed surplus. Unit proceeds are allocated to common shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, consideration paid by the warrant holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is left in contributed surplus.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Financial Instruments

The Company recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Under IFRS 9, such financial assets or financial liabilities are initially recognized at fair value and the subsequent measurement depends on their classification.

Financial Assets

The Company classifies its financial assets into three categories, depending on the cash flow characteristics of the assets and the business objective for managing the assets. Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. The Company's accounting policy for each category is as follows:

Amortized cost - Assets are held within a business model with the objective of collecting their contractual cash flow; and the contractual cash flows consist solely of payments of principal and interest. They are recognized initially at fair value plus directly attributable transaction costs, and subsequently measured at amortized cost less cumulative impairment losses. A gain or loss on a debt investment is recognized in profit and loss when the asset is derecognized or impaired.

Fair value through other comprehensive income ("FVTOCI") – Assets are held within a business model that includes both hold to collect their contractual cash flow and sell the assets; and the contractual cash flows consist solely of payments of principal and interest. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognized directly in profit or loss.

The cumulative fair value gains or losses recognized in other comprehensive income ("OCI") are reclassified to profit or loss when the asset is derecognized. An election may be made to classify an equity investment, that is neither held for trading nor represents contingent consideration recognized by an acquirer in a business combination, as held at FVTOCI. The option to designate an equity instrument at FVTOCI is available at initial recognition and is irrevocable. This designation results in all gains and losses being presented in OCI except dividend income which is recognized in profit or loss.

Fair value through profit and loss ("FVTPL") - Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a financial asset measured at FVTPL that is not part of a hedging relationship is recognized in profit and loss and presented on a net basis in the period in which it arises. IFRS 9 contains an option to designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial asset at FVTPL is available at initial recognition and is irrevocable.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial assets should be reclassified when and only when an entity changes its business model for managing financial assets. Any such reclassifications are applied prospectively from the date of the reclassification.

Financial Liabilities

Under IFRS 9, financial liabilities are primarily classified at amortized cost with limited exceptions. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled, or expires. The Company's accounting policy for each category is as follows:

FVTPL - This category comprises derivatives, liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term, and certain financial liabilities that were designated at FVTPL from inception. IFRS 9 contains an option to designate a financial liability as measured at FVTPL if doing so eliminates or significantly reduces an 'accounting mismatch' that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The option to designate a financial liability at FVTPL is available at initial recognition and is irrevocable.

Amortized cost - Financial liabilities are recognized initially at fair value net of directly attributable transaction costs. They are subsequently recognized at amortized cost using effective interest method with interest expense recognized on an effective yield basis.

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position when the Company has a legal right to offset the amounts and it intends to either settle on a net basis or realize the asset and settle the liability simultaneously.

The Company's classification and measurements of financial assets and liabilities are summarized below:

Financial Instrument	Classification Under IFRS 9
Cash	Amortized cost
Short term investments	Amortized cost
Accounts receivable	Amortized cost
Investment tax credits refundable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Term loans	Amortized cost
Convertible debentures	Amortized cost
Lease liabilities	Amortized cost

Allowance for expected credit losses

IFRS 9 provides a simplified approach to measuring expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. The credit loss model groups receivables based on similar credit risk characteristics and the number of days past due in order to estimate bad debt expenses. The Company assesses the lifetime expected credit loss related to its sales receivables and re-assesses the provision each reporting period. When measuring the expected credit loss, the Company considers a variety of factors including evidence of the debtor's financial condition, the term of the receivable and any changes in economic conditions.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial Instruments - Fair Value Hierarchy**

The Company has a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's investments. The hierarchy of inputs is summarized below:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis (the Company has included cash under this category);

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. There was no movement between different Levels for the 3 months period ended October 31, 2022, and year ended July 31, 2022.

The fair value of cash, accounts receivables, short-term investments, accounts payable and accrued liabilities, customer deposits, deferred revenues, term loans, lease liabilities approximate their carrying values due to their short-term nature.

Critical Accounting Estimates and Judgments

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

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

The key sources of estimation uncertainty at statement of financial position date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year, are discussed below:

Revenue Recognition

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Critical Accounting Estimates and Judgments (continued)**

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

Expected Credit Losses ("ECLs")

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

Investment Tax Credits Recoverable and Deferred Tax Assets

Investment tax credits are claimed on the Company's research and development activities and are based on a percentage of employee wages. Management is required to make judgments of the amount of investment tax credits that the Company will be able to claim. In order to make this estimate, management utilizes a specialist consultant to prepare the appropriate claim forms. These judgments will affect the reported amounts of investment tax credits refundable, intangible assets and salaries and wages expense. Management also exercises judgment in the utilization of non-refundable ITCs recorded as an asset which have not yet been applied to reduce taxes payable and in determining the portion of ITCs the Company expects will be received within one year of the statement of financial position date.

The Company estimates the probability that taxable profits will be available to offset against deductible temporary differences which give rise to deferred tax assets and the utilization of non-refundable ITCs. The ultimate realization of the deferred tax assets and non-refundable ITCs is dependent on the generation of future taxable income during the year in which the temporary differences and non-refundable ITCs are deductible.

Capitalization of Development Costs

Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable economic future benefits.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Critical Accounting Estimates and Judgments (continued)***Impairment of Long-lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount of the asset. The recoverable amount is determined with reference to the fair value of the asset less costs of disposal or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management exercises significant judgment and assumptions when determining the recoverable amount of long-lived assets.

Share-Based Payments and Warrants

Share-Based payments and warrants are calculated utilizing the Black-Scholes option pricing model to determine the value of options and warrants as of their grant date. Management is required to estimate the volatility of the price of its shares, the amount of future dividends that will be paid, the market's risk-free interest rate, the expected life of the options and warrants, and the expected forfeiture rate for options. These estimates will affect the reported amount of share-based payments and warrants in contributed surplus.

Going concern

Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. This assessment, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

Convertible Debentures

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

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

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4. SHORT TERM INVESTMENTS

As at April 30, 2023, short term investments consist of Guaranteed Investment Certificates ("GICs") in the amount of \$17,039 (April 30, 2022 - \$17,007), which bear a nominal interest rate and mature on November 2, 2023. The GICs were obtained as letters of credit for financing received.

5. PREPAIDS & OTHER ASSETS

The main component of prepaids balance is the cost of software subscriptions and software licences necessary for the product development as well as for the proper functioning of the business. As of April 30, the unamortised value of subscriptions and licences, included in the prepaids balance, was \$96,267 (April 30, 2022- \$111,318).

6. EQUIPMENT

The components of equipment are as follows as of April 30, 2023:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2022	\$90,080	\$220,513	\$310,593
Additions	\$0	\$1,590	\$1,590
Closing balance - April 30, 2023	\$90,080	\$222,103	\$312,183
Accumulated Depreciation			
Opening balance - August 1, 2022	\$77,698	\$165,507	\$243,205
Amortization	\$1,863	\$12,397	\$14,260
Closing balance - April 30, 2023	\$79,561	\$177,904	\$257,465
Carrying Value			
Balance - August 1, 2022	\$12,382	\$55,005	\$67,387
Balance - April 30, 2023	\$10,519	\$44,198	\$54,718

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6. EQUIPMENT (continued)

The components of equipment are as follows as of April 30, 2022:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2021	\$90,080	\$205,396	\$295,476
Additions	\$0	\$13,696	\$13,696
Closing balance - April 30, 2022	\$90,080	\$219,092	\$309,172
Accumulated Depreciation			
Opening balance - August 1, 2021	\$73,963	\$139,473	\$213,436
Amortization	\$2,802	\$19,148	\$21,951
Closing balance - April 30, 2022	\$76,765	\$158,621	\$235,387
Carrying Value			
Balance - August 1, 2022	\$16,117	\$65,923	\$82,039
Balance - April 30, 2022	\$13,315	\$60,471	\$73,786

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

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2021	\$90,080	\$205,396	\$295,476
Additions	\$0	\$15,117	\$15,117
Closing balance - July 31, 2022	\$90,080	\$220,513	\$310,593
Accumulated Depreciation			
Opening balance - August 1, 2021	\$73,963	\$139,473	\$213,436
Amortization	\$3,735	\$26,034	\$29,769
Closing balance - July 31, 2022	\$77,698	\$165,507	\$243,205
Carrying Value			
Balance - August 1, 2021	\$16,117	\$65,923	\$82,040
Balance - July 31, 2022	\$12,382	\$55,005	\$67,387

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7. RIGHT-OF-USE ASSETS

As at April 30, 2023, the Company recognized the right-of-use assets for its two office space leases as follows:

Costs or Deemed Cost	
Opening Balance - August 1, 2022	\$418,606
Additions	\$0
Closing balance - April 30, 2023	\$418,606
Accumulated Depreciation	
Opening Balance - August 1, 2022	\$385,502
Depreciation	\$33,104
Closing balance - April 30, 2023	\$418,606
Carrying Value	
Opening Balance - August 1, 2022	\$33,104
Closing balance - April 30, 2023	\$0

The components of right-of-use assets are as follows as of April 30, 2022:

Costs or Deemed Cost	
Opening Balance - August 1, 2022	\$380,562
Additions	\$38,044
Closing balance - April 30, 2023	\$418,606
Accumulated Depreciation	
Opening Balance - August 1, 2022	\$256,392
Depreciation	\$96,375
Closing balance - April 30, 2023	\$352,767
Carrying Value	
Opening Balance - August 1, 2022	\$124,170
Closing balance - April 30, 2023	\$65,839

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7. RIGHT-OF-USE ASSETS (continued)

The components of right-of-use assets are as follows as of July 31, 2022:

Costs or Deemed Cost	
Opening Balance - August 1, 2021	\$380,562
Additions	\$38,044
Closing balance - July 31, 2022	\$418,606
Accumulated Depreciation	
Opening balance - August 1, 2021	\$256,392
Depreciation	\$129,110
Closing balance - July 31, 2022	\$385,502
Carrying Value	
Balance - August 1, 2021	\$124,170
Closing balance - July 31, 2022	\$33,104

8. INTANGIBLES

Intangibles, with cost of \$419,023 were fully amortised at April 30, 2023, resulting in carrying value of \$NIL. The carrying value as of April 30, 2022, was \$NIL and \$NIL as of July 31, 2022.

9. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

	April 30, 2023	April 30, 2022	July 31, 2022
Trade accounts payable	\$272,439	\$772,269	\$465,800
Accrued liabilities	813,212	459,545	972,840
Customer deposits	358,144	456,512	456,130
	\$1,443,795	\$1,688,326	\$1,894,769

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10. DEFERRED REVENUE

The following table represents changes in deferred revenues for the 9 months period ended April 30, 2023, and 12 months ended July 31, 2022:

Balance, August 1, 2021	\$979,963
Invoices during the period, excluding amount recognized as revenue	4,309,825
Amount recognized as revenue included in the balance at the beginning of the period	-3,971,824
Balance, July 31, 2022	\$1,317,964
Invoices during the period, excluding amount recognized as revenue	2,219,339
Amount recognized as revenue included in the balance at the beginning of the period	-2,361,452
Balance, April 30, 2023	\$1,175,851

11. TERM LOANS

	April 30, 2023	April 30, 2022	July 31, 2022
Business Development Bank of Canada (i)	\$2,093,167	\$0	\$0
Business Development Bank of Canada (ii)	4,480	21,280	14,980
	2,097,647	21,280	14,980
Transaction costs	(2,380)	(1,877)	(2,380)
	2,095,267	19,403	12,600
Current portion	(2,100)	(19,403)	(12,600)
	\$2,093,167	\$0	\$0

- (i) On September 5, 2022, the Company finalized long-term debt financing agreement with BDC Capital for CAD \$2,000,000, with maturity date set for September 30, 2024. The maturity date can be amended from time to time, and the loan can be extended for the additional 12 months at the option of the Company.

The interest rate applicable to this loan is set at BDC Capital floating base rate plus a variance of 1.2% per year, calculated daily. In addition to the interest described above, the Company will also pay to BDC Capital additional interest (Payment-in Kind or PIK) on the outstanding amount of the financed amount, including compounded interest, at the rate of 7% per year, with interest accruing daily and compounded annually and paid on maturity date.

The principal of the loan shall be payable by way of one balloon payment of \$2,000,000, payable on the maturity date. The company has an option to prepay up to a maximum amount of \$1,000,000, provided that the full \$2,000,000 has been advanced, once in each year commencing in 2023. The balance as of April 30, 2023, includes PIK interest of \$93,167.

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- (ii) 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 \$2,100 due in February 2023.

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 interest costs incurred in connection with the lease during the 9 months ending April 30, 2023, are \$495 (9 months ending April 30, 2022 - \$5,274 and 12 months ending July 31, 2022 - \$6,189).

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Balance - beginning of period	\$19,970	\$124,598	\$124,598
Additions		38,044	
Interest payable on lease liabilities	\$0	5,274	\$0
Repayments during the period	(\$19,970)	(111,575)	(\$104,628)
	\$0	\$56,341	\$19,970
Current portion	\$0	(\$56,341)	(\$19,970)
	\$0	\$0	\$0

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13. CONVERTIBLE DEBENTURES

	Debentures III	Debentures II	Total
Balance at July 31, 2021	\$0	\$728,799	\$728,799
Accrued interest	0	75,000	75,000
Interest Payment	0	(75,000)	(75,000)
Accretion expenses	0	41,130	41,130
Conversion of convertible debentures	0	0	0
Balance at July 31, 2022	\$0	\$769,929	\$769,929
Private placement	3,895,339	0	3,895,339
Private placement - transaction costs	(388,927)	-	(388,927)
Fair value of convertible feature	(781,737)	-	(781,737)
Accrued interest	261,000	56,094	317,094
Interest Payment	-	(56,094)	(56,094)
Accretion expenses	214,050	32,537	246,587
Conversion of convertible debentures	0	0	0
Balance at April 30, 2023	\$3,199,725	\$802,466	\$4,002,191

On August 9, 2022, the Company completed an issuance of convertible debentures ("Debentures III") for the total gross proceeds of \$3,895,339. Of this amount, \$1,620,194 was received in cash in June and July 2022, prior to the end of fiscal year ended July 31, 2022.

The Debentures III have the following terms:

- (i) Mature on June 30, 2026.
- (ii) 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.
- (iii) Debentures III are convertible into Common Shares at the option of the Subscribers at \$0.05 per share.
- (iv) Debentures III can be redeemed by the Company at any time (the "Redemption") at a price ("Redemption Price") equal to the sum of (i) the principal amount being redeemed, (ii) all accrued and unpaid interest up to the date of Redemption and (iii) a 25% prepayment penalty, all of the foregoing of which is subject to a maximum per annum interest return of 24% (including, without limitation, interest and the prepayment penalty).
- (v) The conversion feature of the Debentures III 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 III 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 18.00%. 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 III was measured at fair value at initial recognition.

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13. CONVERTIBLE DEBENTURES (continued)

- (vi) 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 18.00%. 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 \$3,032,605 and the equity component was assigned a value of \$862,734 (less deferred income taxes of \$308,863). The debt component is subsequently accounted for at amortized cost using the effective interest rate method. Transaction costs of \$388,927 were paid related to the Debentures III, of which \$302,788 was deducted from the value of the debt component and \$86,139 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:

- (i) Mature on May 31, 2023.
- (ii) 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.
- (iii) 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.
- (iv) The Debenture II have a hold period of 4 months from the Closing Date
- (v) 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 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.
- (vi) 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.

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.

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13. CONVERTIBLE DEBENTURES (continued)

Scheduled interest payments under the Debentures are due as follows:

Scheduled interest payments under the Debentures are due as follows:	Debentures III	Debentures II	Total
2023 (remaining six months)	348,000	18,906	366,906
2024	348,000	75,000	423,000
2025	348,000	-	348,000
2026	319,000	-	319,000
	1,363,000	93,906	1,456,906

14. SHARE CAPITAL

On December 8, 2022, the Company executed a “reverse split” or consolidated its common shares in the ratio of five (5) “old” common shares to one (1) “new” common share. After the consolidation, the number of issued and outstanding common shares is 34,100,218, reduced from 170,501,086. The consolidation event was formally executed on December 19, 2022. All share data and information related to the Company’s stock-based compensation plans presented herein have been retroactively adjusted to give effect to the reverse stock split.

The Company has authorized an unlimited number of common shares and has 34,100,218 (April 30, 2022 – 34,100,218, and July 31, 2022 – 34,100,218) common shares issued and outstanding as at April 30, 2023. During the 9 months period ended April 30, 2023, warrant holders did not exercise any warrants (9 months period ended April 30, 2022 – NIL and 12 months period ended July 31, 2022 - NIL).

In April 2022, the company recorded the net proceeds of \$512,783, on a relative fair value basis with \$391,786 being recorded under share capital for the value of the common shares and \$120,997 being recorded under contributed surplus for the value of warrants issued as part of the non-brokered private placement.

In fiscal 2021 the Company recorded the net proceeds of \$4,308,962 on a relative fair value basis with \$2,578,424 being recorded under share capital for the value of the common shares and \$1,730,538 being recorded under contributed surplus for the value of warrants issued as part of the non-brokered private placement.

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 \$0.525 on Debenture 1 resulting in issue of 2,380,952 common shares and on Debenture II, a conversion of the gross proceeds of \$1,450,000 at a price of \$0.30 resulted in issue of 4,833,333 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.

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15. SHARE-BASED PAYMENTS

The Company grants stock options to eligible directors, officers, key employees, and consultants under its stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares which may be issued pursuant to the exercise of options granted under the plan may not exceed 20% (2022 - 20%) of the number of common shares outstanding at the time of grant. As of April 30, 2023, the maximum number of common shares available under the plan was 6,820,044 (July 31, 2022 – 6,820,044) of which 4,687,242 (July 31, 2022 – 3,057,917) remain available for grant thereunder.

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding ten years. Options vest according to the discretion of the board which range from immediate to five years.

A summary of the status of the Company's stock options as at April 30, 2023 and 2022 and changes during the years then ended is presented below:

	9 months ended April 30, 2023	Weighted Average Exercise Price	9 months ended April 30, 2022	Weighted Average Exercise Price	12 months ended July 31, 2022	Weighted Average Exercise Price
	Number of Options		Number of Options		Number of Options	
Outstanding - beginning of period	3,359,944	\$0.645	4,088,662	\$0.550	4,088,662	\$0.573
Granted	2,000	\$0.400	365,000	\$0.550	390,000	\$0.543
Exercised	0	\$0.000	(2,000)	\$0.500	(2,000)	\$0.500
Expired	(1,229,142)	\$0.376	(1,116,718)	\$0.350	(1,116,718)	\$0.349
Outstanding - end of period	2,132,802	\$0.698	3,334,944	\$0.650	3,359,944	\$0.645
Exercisable - end of period	1,865,185	\$0.561	1,981,888	\$0.600	2,117,444	\$0.607

The weighted average remaining contractual life of stock options as of April 30, 2023, is 2.47 years (April 30, 2022 – 2.66 years).

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15. SHARE-BASED PAYMENTS (continued)

The Company had the following stock options outstanding as of April 30, 2023:

Expiry fiscal year	# of options	Exercise Price		Remaining Life (years - average)
		from	to	
July 31, 2024	265,000	\$0.400	\$0.750	0.96
July 31, 2025	7,778	\$0.400	\$0.400	1.53
July 31, 2026	1,539,167	\$0.600	\$0.800	2.85
July 31, 2027	318,858	\$0.250	\$0.625	3.68
July 31, 2028	2,000	\$0.400	\$0.400	4.99
	2,132,802	\$0.410	\$0.595	

On April 24, 2023, the Company issued 2,000 stock options to employees of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.40. One-third, or 667 of the options vest on April 24, 2024, and thereafter the remaining options vest monthly over a period of 24 months. The options expire in five years from the date of grant.

The estimated fair value of the stock options granted on April 24, 2023 was estimated at a value of \$0.26 by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility 80.69%; risk free interest rate of 3.08%; forfeiture rate of 0%, share price of \$0.40; and expected life of five years.

On January 13, 2021, the Company granted 390,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.60. 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 1,350,000 options to employees. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.80. 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.

The estimated fair value of the stock options granted for the year ended July 31, 2021 was estimated at values between \$0.45 to \$0.60 by using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility 96%; risk free interest rate between 0.44% to 0.93%; forfeiture rate of 0%, share price between \$0.60 to \$0.80; and expected life of five years.

Each tranche of an award with a different vesting date is considered a separate grant of the calculation of fair value, and the resulting fair value is amortized over the vesting period of the respective tranches. During the year ended July 31, 2022, 1,116,718 (2021 – 229,888) options expired due to the cancellation of agreements, termination of employees and resignation of officers. The Company reversed the cumulative expenses previously recognized for expired and unvested options and resulted share-based payments (recovery) in the current period.

The total value of options granted under the Company's option plan for the year ended July 31, 2022, was \$622,427 (2021 - \$963,699). The weighted average grant date fair value of options granted during the year ended July 31, 2022, was \$0.545 (2021 - \$0.75).

Share-based payments for all vested options for the year ended July 31, 2022, was \$501,116 (2021 - \$291,860), which was credited to contributed surplus and expensed to share-based payments.

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16. SHARE PURCHASE WARRANTS

In connection with private placement completed on August 9, 2022, with gross proceeds of \$3,895,339, the Company issued 3,065 convertible debentures units and 7,562,500 warrants. Convertible debentures were issued at 3,065 units at a price of \$1,177 (USD \$1,000) per unit, with warrants exercisable at a price of \$0.47 (USD \$0.375). Each convertible debenture unit consisted of 4,000 to 5,000 common shares and 400 to 2,500 share purchase warrants entitling the holder to purchase equivalent number of additional common shares for four (4) years at price of \$0.47 per share. The expiry of the warrants may be accelerated by the Company at any time prior to the expiry date of the warrants by announcing the reduced warrant term, whereby if the VWAP of common shares is greater than \$1.00 for any 20 consecutive trading days, the Company may accelerate the expiry and exercise conversion at \$0.90 per warrant.

The 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 65.4%; risk free interest rate of 0.18%; forfeiture rate of 0%, share price of \$0.20 – \$0.25; exercise price of \$0.20 and expected life of 4 years.

During the 9 months period ended April 30, 2023, 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: 9,523,809 units at a price of \$0.525 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 \$0.90 per share with conditions to accelerate. The expiry of the warrants may be accelerated by the Company at any time following the four 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 \$1.10 for any 20 consecutive trading days, the Company may accelerate the expiry and exercise conversion at \$0.90 per warrant. The number of warrants issued as part of the tranche was 9,523,809 at the exercise price of \$0.90 per warrant. In connection with the offering, the Company issued 714,990 broker warrants exercisable to purchase the same number of common shares, at a price of \$0.525 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 \$0.75 – \$1.00; exercise price of \$0.525 and expected life of three years.

On January 29, 2021, as part of private placement, for Debenture I, there were partial conversions of the gross proceeds of \$1,250,000 convertible debenture resulting in issue of 2,380,952 shares with 1,190,476 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 \$0.90 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 \$0.75- \$1.00; exercise price of \$0.90 and expected life of three years. The inducement expense is 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.

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16. SHARE PURCHASE WARRANTS (continued)

The summary of status of Company's warrants as at April 30, 2023, and July 31, 2022, and changes during the periods is presented below:

	9 month period ended April 30, 2023		12 month period ended July 31, 2022	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	12,272,713	\$0.875	11,429,275	\$0.875
Granted	7,562,500	\$0.470	843,437	\$0.478
Granted - broker	2,157,500	\$0.250	0	\$0.000
Exercised	0	\$0.000	0	\$0.000
Expired	0	\$0.000	0	\$0.000
Outstanding - end of period	21,992,713	\$0.875	12,272,713	\$0.875

The Company had the following warrants outstanding as at April 30, 2023:

Number of warrants outstanding	Number of warrants exercisable	Exercise Price	Expiry Date	Remaining Life (Years)
7,426,048	7,426,048	\$0.900	January 29, 2024	0.99
1,190,476	1,190,476	\$0.900	January 29, 2024	0.99
16,000	16,000	\$0.525	January 29, 2024	0.99
548,240	548,240	\$0.525	February 9, 2024	1.02
1,210,181	1,210,181	\$0.900	February 9, 2024	1.02
81,744	81,744	\$0.525	February 9, 2024	1.02
25,000	25,000	\$0.900	February 10, 2024	1.03
862,581	862,581	\$0.900	February 11, 2024	1.03
69,006	69,006	\$0.525	February 11, 2024	1.03
843,437	843,437	\$0.480	April 5, 2026	3.18
8,750	8,750	\$0.320	April 5, 2027	4.18
7,562,500	7,562,500	\$0.470	June 30, 2026	3.41
2,148,750	2,148,750	\$0.250	June 30, 2026	3.41
21,992,713	21,992,713			

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

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Subscription and Support	\$2,254,711	\$1,706,846	\$2,330,737
Services	1,205,432	1,873,638	2,438,505
	\$3,460,143	\$3,580,484	\$4,769,242

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

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Canada	\$924,746	\$593,752	\$1,758,338
USA	1,997,906	2,208,483	2,565,851
Other	537,491	778,249	445,053
	\$3,460,143	\$3,580,484	\$4,769,242

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18. EXPENSES BY NATURE**Cost of Sales - Subscriptions and Support**

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

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Salaries & benefits	\$819	\$2,118	\$2,517
Subcontracting	0	1,552	1,552
Hosting	222,736	147,420	196,608
	\$223,555	\$151,090	\$200,677

Cost of Sales - Services

The components of cost of sales services are as follows:

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Salaries & benefits	\$776,278	\$276,318	\$365,102
Subcontracting	382,564	482,751	621,004
Hosting	5,815	40,413	48,094
	\$1,164,657	\$799,483	\$1,034,200

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Salaries & benefits	\$701,060	\$936,401	\$1,649,144
Consulting Fees	67,152	129,639	185,456
Advertising and promotion	189,092	227,645	246,814
Travel, meals and entertainment	10,566	36,392	44,877
Other	0	2,329	2,879
	\$967,870	\$1,332,406	\$2,129,170

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18. EXPENSES BY NATURE (continued)

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Salaries & benefits	\$631,196	\$1,023,680	\$1,291,655
Consulting fees	448,402	271,611	442,179
Professional fees	414,226	247,060	329,413
TMI and occupancy costs	28,628	54,143	75,181
Computer and software	250,395	178,318	249,487
Stock exchange expense	56,538	52,916	64,234
Other office and administrative	206,840	163,560	224,193
Travel	60,016	12,718	19,615
Insurance	33,918	28,215	37,903
Bad debt expense (recovery)	(65,106)	45	84,153
Foreign exchange (gain) loss	(139,053)	(49,606)	(44,730)
	\$1,925,999	\$1,982,660	\$2,773,283

Research and Development Expenses

The components of research and development expenses are as follows:

	9 months ended April 30, 2023	9 months ended April 30, 2022	12 months ended July 31, 2022
Salaries & benefits	\$895,859	\$958,257	\$1,252,419
Consulting fees	0	123,192	160,668
ITC claims	(135,000)	-	(171,966)
Travel	0	0	0
Other	30,147	42,922	53,958
	\$791,006	\$1,124,371	\$1,295,079

During the 9-month period ending April 30, 2023, the Company changed its allocation methodology related to Salaries and benefits costs to better allocate them to cost of sales – services with a more accurate and reliable approach. This approach has been applied prospectively and has no effect on prior periods.

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19. INCOME TAXES

The effect of transactions relating to the private placement concluded on August 9, 2022, has been accounted for following applicable IFRS disclosures. The resulting tax impact has been disclosed in the Deferred Tax Liability account. The monthly recovery of the deferred tax liability is shown as an income in the Deferred income tax recovery account.

The Company claims research and development ("R&D") deductions and related ITCs for tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by the Canada Revenue Agency ("CRA") and Revenue Quebec and any adjustments that results could affect ITCs recorded in the consolidated financial statements. In the opinion of management, the treatment of R&D for income tax purposes is appropriate. For the 9 months period ended April 30, 2023, the Company recognized \$135,000 (July 31, 2022 - \$171,966) of ITCs which were presented as a reduction of R&D expense. The Company expects to recover \$484,452 (July 31, 2022 - \$321,987) of refundable ITCs within the fiscal year ending July 31, 2023 for a total receivable of \$619,452 (July 31, 2022 - \$484,452). Due to the uncertainty of utilization of non-refundable ITCs, the Company has not recognized the non-refundable ITCs. These non-refundable ITCs will not be recognized until the Company has income tax liabilities.

For the fiscal year ended July 31, 2022, the Company has unused non-refundable ITCs of \$1,528,752 which are available to reduce future taxes payable. These non-refundable ITCs expire as follows:

	Federal	Ontario	Total
2031	\$5,576	\$0	\$5,576
2032	85,050	0	85,050
2033	128,021	9,650	137,671
2034	167,842	24,739	192,581
2035	89,699	20,206	109,905
2036	116,292	22,987	139,279
2037	124,332	17,958	142,290
2038	179,959	28,679	208,638
2039	161,768	20,725	182,493
2040	137,499	12,570	150,069
2041	163,415	11,785	175,200
2042	134,656	3,885	138,541
	\$1,494,109	\$173,184	\$1,667,293

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As at July 31, 2022, the Company has income tax losses which are available to reduce future taxable income. These losses expire as follows:

	Federal	Quebec
2034	\$336,954	\$730,292
2036	194,552	540,210
2037	980,014	980,014
2038	2,310,685	1,731,666
2039	3,187,078	3,233,129
2040	1,628,468	1,628,468
2041	2,789,133	2,789,133
2042	3,021,341	3,021,341
	\$14,448,225	\$14,654,253

These non-capital losses were not recognized in the current and prior year consolidated financial statements due to the uncertainty of realizing them in future years.

20. 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 for the nine-month period ended April 30, 2023, were all paid to key management personnel and were as follows:

	April 30, 2023	April 30, 2022	July 31, 2022
Salaries and benefits	\$861,461	\$728,167	\$947,239
Stock-based compensation (i)	116,896	329,698	391,411
	\$978,357	\$1,057,865	\$1,338,650

- i) Stock based compensation for officers/directors is comprised of the vested value of stock options granted during the year.

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21. 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 receivables. 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 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 9 months period ended April 30, 2023, the Company recorded \$5,518 provision for Expected Credit Losses (9 months period ended April 30, 2022 - \$7,912, fiscal year ended July 31, 2022 - \$84,153).

During the COVID-19 pandemic, financial instruments that potentially subject the Company to credit risk consist of trade receivables. The Company has reviewed its credit policy in light of the current environment and regularly conducts business with financial institutions with external credit ratings of 'investment grade' or maintain high liquidity.

As at April 30, 2023, approximately 38.6% of the Company's accounts receivable are due from three customers (as at April 30, 2022 – approximately 59% were due from three customers, and as at July 31, 2022 - approximately 49% was due from one significant customer)

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

	ECL %	April 30, 2023	April 30, 2022	July 31, 2022
Current	0.5%	\$646,365	\$898,405	\$369,609
Over 30 days past due	1.0%	38,758	43,666	\$213,247
Over 60 days past due	2.5%	45,951	19,123	\$193,967
Over 90 days past due	5.0%	184,076	288,186	\$254,684
Less: Provision for ECLs		(\$5,518)	(\$7,912)	(\$92,021)
		\$909,632	\$1,241,468	\$939,485

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.

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21. FINANCIAL INSTRUMENTS (continued)**Liquidity Risk (continued)**

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, lease liabilities, its term loans and convertible debentures, which are repayable in various monthly and quarterly installments as discussed in note 11 and 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, 2023, the Company had the cash on hand of \$2,770,246 (April 30, 2022 - \$676,111, July 31, 2022 - \$1,247,891) and accounts receivable of \$909,632 (April 30, 2022 - \$1,241,468, July 31, 2022 - \$939,485 to meet its working capital requirements.

As at April 30, 2023, the Company's current assets exceeded current liabilities by \$1,877,112 (April 30, 2022 – current liabilities exceeded current assets by \$1,029,943, and July 31, 2022 – current liabilities exceeded current assets by \$327,402). Of this amount, \$1,175,851 (April 30, 2022 - \$1,685,495; July 31, 2022 - \$1,317,965) relates to Deferred Revenues (Note 11), which is expected to be settled through the performance of service in the normal course of business. The current liabilities also include the current portion of term loans of \$4,480 (Note 11).

The Company has no current commitments for capital expenditures as of the date hereof. Trade and other payables are due within the next 12 months. Convertible debentures that were issued on October 31, 2018, have been partially converted and have interest only due quarterly with the next payment on July 31, 2023 (Note 12).

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 April 30, 2023, the Company's foreign denominated monetary assets and monetary liabilities as expressed in USD total \$2,053,217 (April 30, 2022 – USD \$999,529 and July 31, 2022 – USD \$1,220,288) and converted at the exchange rates of 1.34. For the 9 months period ended April 30, 2023, the Company recognized a gain on foreign exchange of \$139,053 (April 30, 2022 – gain of \$9,239 and July 31, 2022 - gain of \$44,730).

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21. FINANCIAL INSTRUMENTS (continued)

Exposure to Currency Risk

		Apr 30, 2023	Apr 30, 2022	July 31, 2022
Cash	USD	\$1,668,353	\$278,850	\$687,608
Trade receivables		450,654	821,339	578,665
Trade payables		(65,791)	(100,660)	(45,985)
Net statement of financial position exposure	USD	\$2,053,217	\$999,529	\$1,220,288
Average USD to CAD exchange rate		1.35	1.27	1.27
Spot rate USD to CAD exchange rate		1.34	1.27	1.28

Sensitivity Analysis

A reasonably possible strengthening and/or weakening of Canadian dollar against US dollar on April 30, 2023, April 30, 2022, and July 31, 2022, would have affected the measurement of financial instruments denominated in foreign currency and affected profit or loss by the amount show below.

The potential effect of a 5% increase or decrease in net exposure due to the USD transactions would result in an increase or decrease in net earnings of approximately \$137,052 (April 30, 2022 - \$63,930, July 31, 2022 - \$78,077). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

Exposure to Currency Risk

	April 30, 2023 (spot rate)		April 30, 2022 (spot rate)		July 31, 2022 (spot rate)	
	Strengthening	Weakening	Strengthening	Weakening	Strengthening	Weakening
USD - movement 5.0%	1.40	1.27	1.34	1.21	1.34	1.22
USD - movement 10.0%	1.47	1.20	1.41	1.15	1.41	1.15
Impact: Profit and Loss						
USD - movement 5.0%	\$137,052	(\$137,052)	\$63,930	(\$63,930)	\$78,077	(\$78,077)
USD - movement 10.0%	\$274,104	(\$274,104)	\$127,860	(\$127,860)	\$156,155	(\$156,155)

Interest Rate Risk

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

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21. FINANCIAL INSTRUMENTS (continued)

Fair Value

As at April 30, 2023, 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.

22. PRIOR PERIOD RECLASSIFICATIONS

Certain prior period unaudited amounts used for comparative purposes have been reclassified to conform with the current period presentation and disclosures.