

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2013 AND 2012
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2013 AND 2012

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(Unaudited)

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BLUERUSH MEDIA GROUP CORP.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Media Group Corp. as at and for the three months and six months ended January 31, 2013 and 2012 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

Collins Barrow Toronto LLP, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the three months and six months ended January 31, 2013 and 2012 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

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

BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
AS OF
(Presented in Canadian Dollars)

	Note	January 31, 2013 (Unaudited)	July 31, 2012 (Audited)
ASSETS			
Current Assets			
Cash		\$ 1,066,565	\$ 674,571
Accounts receivable	3	1,264,649	1,413,876
Prepaid expenses		21,163	21,250
Income taxes and investment tax credits recoverable		48,833	75,386
Unbilled revenue		39,000	29,850
Work in process		347,339	42,363
Total Current Assets		2,787,549	2,257,296
Long Term Assets			
Equipment		66,184	67,073
Deferred tax asset		-	74,449
Total Assets		\$ 2,853,733	\$ 2,398,818
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 222,163	\$ 248,889
Deferred revenue		735,138	555,185
Total Current Liabilities		957,301	804,074
Commitments	5		
Equity			
Share capital	6	763,633	742,633
Contributed surplus	6	309,303	260,675
Retained earnings		823,496	591,436
Total Equity		1,896,432	1,594,744
Total Liabilities and Equity		\$ 2,853,733	\$ 2,398,818

Approved on Behalf of the Board

Signed - "Larry Lubin" - Director

Signed - "Len Smofsky" - Director

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BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED
(Presented in Canadian Dollars)
(Unaudited)

	Note	January 31, 2013	January 31, 2012
REVENUE		\$ 1,369,263	\$ 1,126,247
EXPENSES			
Salaries and benefits		662,463	542,837
Consulting fees		343,044	295,779
General and administrative	7	188,975	166,403
Production costs	7	87,396	62,180
Professional fees		(1,800)	18,554
Amortization		4,652	3,076
Total Expenses		1,284,730	1,088,829
EARNINGS BEFORE TAXES		84,533	37,418
Current income taxes		26,553	10,410
Deferred income taxes		19,402	-
NET EARNINGS AND COMPREHENSIVE INCOME		38,578	27,008
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.001	\$ 0.001
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,482,754	32,318,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.001	\$ 0.001
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		33,281,400	33,639,667

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

BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED
(Presented in Canadian Dollars)
(Unaudited)

	Note	January 31, 2013	January 31, 2012
REVENUE		\$ 2,559,151	\$ 2,436,878
EXPENSES			
Salaries and benefits		1,038,667	1,155,825
Consulting fees		662,933	622,169
General and administrative	7	320,895	317,917
Production costs	7	160,187	194,186
Professional fees		34,003	26,054
Amortization		9,404	6,356
Total Expenses		2,226,089	2,322,507
EARNINGS BEFORE TAXES		333,062	114,371
Current income taxes		26,553	32,596
Deferred income taxes		74,449	-
NET EARNINGS AND COMPREHENSIVE INCOME		232,060	81,775
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.007	\$ 0.003
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,482,754	32,318,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.007	\$ 0.002
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		33,281,400	33,591,689

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BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JANUARY 31, 2013 AND 2012
(Presented in Canadian Dollars)
(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - July 31, 2011	32,318,000	\$ 735,683	\$ 107,637	\$ 1,098,656	\$ 1,941,976
Net earnings	-	-	-	81,775	81,775
Stock-based compensation	-	-	8,876	-	8,876
Balance - January 31, 2012	32,318,000	\$ 735,683	\$ 116,513	\$ 1,180,431	\$ 2,032,627
Balance - July 31, 2012	32,368,000	742,633	260,675	591,436	1,594,744
Shares issued on options exercised	150,000	21,000	(6,000)	-	15,000
Net earnings	-	-	-	232,060	232,060
Stock-based compensation	-	-	27,314	-	27,314
Balance - January 31, 2013	32,518,000	\$ 763,633	\$ 281,989	\$ 823,496	\$ 1,869,118

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

BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED
(Presented in Canadian Dollars)
(Unaudited)

	January 31, 2013	January 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 232,060	\$ 81,775
Items not requiring an outlay of cash:		
Amortization	9,404	6,356
Stock-based compensation	54,628	8,876
Deferred income taxes	74,449	-
Changes in non-cash working capital:		
Accounts receivable	149,227	414,379
Prepaid expenses	87	(8,056)
Work in process	(304,976)	(114,848)
Unbilled revenue	(9,150)	58,865
Income taxes and investment tax credits recoverable	26,553	17,674
Accounts payable and accrued liabilities	(26,726)	(145,488)
Deferred revenue	179,953	(44,520)
	385,509	275,013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued on options exercised	15,000	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,515)	-
NET INCREASE IN CASH	391,994	275,013
CASH, BEGINNING OF PERIOD	674,571	697,394
CASH, END OF PERIOD	\$ 1,066,565	\$ 972,407
SUPPLEMENTAL CASH FLOW INFORMATION		
INTEREST PAID	\$ 497	\$ 114
INCOME TAXES PAID	\$ -	\$ 35,420

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

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2013 AND 2012
(Presented in Canadian Dollars)
(Unaudited)

1. NATURE OF BUSINESS

BlueRush Media Group Corp. ("BlueRush" or the "Company") is a digital marketing company which combines leading edge technology with award winning creative television production. The Company was incorporated on April 6, 2004 in the Province of Ontario. BlueRush is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 2 to the Company's annual financial statements as of and for the year ended July 31, 2012.

These financial statements should be read in conjunction with the Company's 2012 annual financial statements.

These financial statements were authorized by the Board of Directors on .

3. ACCOUNTS RECEIVABLE

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

	January 31, 2013 (Unaudited)	July 31, 2012 (Audited)
Current	\$ 436,270	\$ 1,072,571
Past due less than 90 days	585,207	341,290
Past due greater than 90 days	243,172	87,244
Less: Allowance for doubtful accounts	-	-
	\$ 1,264,649	\$ 1,501,105

BlueRush is exposed to credit risk on its trade accounts receivable. Credit risk is minimized by ensuring the credit worthiness of the entities with which it carries on business. The Company's clients predominantly consist of financial institutions and large public companies, many of whom are repeat clients and have long term relationships with the Company. Management regularly reviews the credit terms and collectability of accounts and in the six months ended January 31, 2013 has recorded a bad debts expense of \$Nil (2012 - \$Nil).

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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4. BANK INDEBTEDNESS

In order to meet daily cash flow requirements, the Company utilizes a revolving line of credit in the form of an overdraft on its chequing account at the Canadian Imperial Bank of Commerce ("CIBC"). The line of credit is available up to 75% of accounts receivable that are outstanding under 90 days, and to a maximum of \$500,000. In addition, the line of credit is repayable on demand, secured by a general security agreement covering all the assets of the parent and subsidiary corporations, and is interest-bearing at the CIBC prime rate plus 1.50%. As of January 31, 2013, the Company has the full \$500,000 available under the line of credit.

5. COMMITMENTS

The Company has the following lease commitments for premises:

Less than 1 year	\$	185,988
1 to 3 years		141,233
Thereafter		-
	\$	327,221

6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued and Outstanding

	Number of Common Shares	Amount
Balance - July 31, 2012	32,368,000	\$ 742,633
Options exercised (i)	150,000	21,000
Balance - January 31, 2013	32,518,000	\$ 763,633

- (i) On September 13, 2012, the Company received cash proceeds of \$15,000 and issued 150,000 shares upon the exercise of options at \$0.10 per share. The estimated fair value of these options granted on October 14, 2011 in the amount of \$6,000 was removed from contributed surplus and allocated to share capital.

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6. SHARE CAPITAL (Continued)

Stock Option Plan

The Company has outstanding options which each can be exercised and exchanged for one common share. A summary of the status of the Company's stock options as at January 31, 2013 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	3,180,000	\$ 0.13
Granted	-	-
Exercised (ii)	(150,000)	0.10
Forfeited/cancelled/expired	(310,000)	0.10
Outstanding - end of period	2,720,000	\$ 0.13
Exercisable - end of period	1,607,499	\$ 0.13

(ii) The share price on the date of exercise was \$0.22.

The weighted average remaining contractual life of stock options as of January 31, 2013 is 7.31 years (July 31, 2012 2012 - 6.78 years).

The Company had the following stock options outstanding as of January 31, 2013:

Number of Options Outstanding	Exercise Price \$	Expiry Date
100,000	0.13	June 10, 2013
450,000	0.10	May 8, 2014
120,000	0.10	March 5, 2015
2,050,000	0.15	May 10, 2022
2,720,000		

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6. SHARE CAPITAL (Continued)

Share Purchase Warrants

The Company has outstanding warrants which each can be exercised and exchanged for one common share. For the six months ending January 31, 2013 a summary of the status of outstanding warrants during the period is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	500,000	\$ 0.10
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	500,000	\$ 0.10

The Company had the following warrants outstanding as at January 31, 2013:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date
250,000	0.10	May 23, 2015
250,000	0.10	August 23, 2015
500,000		

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7. EXPENSES

General and Administrative Expenses

The components of general and administrative expenses for the six months ended January 31, 2013 are as follows:

	2013	2012
Rent and occupancy costs	\$ 126,780	\$ 117,550
Travel	40,828	49,707
Advertising and promotion	43,189	22,148
Telecommunications	25,818	30,185
Other expenses	84,280	98,327
	\$ 320,895	\$ 317,917

Production Costs

The components of production costs for the six months ended January 31, 2013 are as follows:

	2013	2012
Hosting	\$ 53,491	\$ 44,853
Camera and teleprompter	15,337	34,879
Talent	11,235	32,121
Other production costs	80,124	82,333
	\$ 160,187	\$ 194,186

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8. 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. The Company's related party transactions for the six months ended January 31, 2013, were as follows:

- a) Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense is an amount of \$200,000 (2012 - \$172,692) for compensation paid to key management personnel.
- b) Included in salaries and benefits is an amount of \$14,626 (2012 - \$8,876) for stock based compensation expense relating to the expensing of 225,000 options granted to directors in May 2012. The options vest in May 2013.

9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.