

**BLUERUSH DIGITAL MEDIA CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012  
(Presented in Canadian Dollars)  
(Unaudited)**

**BLUERUSH DIGITAL MEDIA CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012**

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**(Unaudited)**

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## **BLUERUSH DIGITAL MEDIA 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 nine months ended April 30, 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 nine months ended April 30, 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 DIGITAL MEDIA CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**AS OF**  
(Presented in Canadian Dollars)

	Note	April 30, 2013 (Unaudited)	July 31, 2012 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 904,957	\$ 674,571
Accounts receivable	3	1,065,379	1,413,876
Prepaid expenses		26,775	21,250
Income taxes and investment tax credits recoverable		71,877	75,386
Unbilled revenue		4,200	29,850
Work in process		322,624	42,363
<b>Total Current Assets</b>		<b>2,395,812</b>	<b>2,257,296</b>
<b>Long Term Assets</b>			
Equipment		64,829	67,073
Deferred tax asset		-	74,449
<b>Total Assets</b>		<b>\$ 2,460,641</b>	<b>\$ 2,398,818</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 146,281	\$ 248,889
Deferred revenue		487,927	555,185
<b>Total Current Liabilities</b>		<b>634,208</b>	<b>804,074</b>
<b>Commitments</b>	5		
<b>Equity</b>			
Share capital	6	763,633	742,633
Contributed surplus		336,617	260,675
Retained earnings		726,183	591,436
<b>Total Equity</b>		<b>1,826,433</b>	<b>1,594,744</b>
<b>Total Liabilities and Equity</b>		<b>\$ 2,460,641</b>	<b>\$ 2,398,818</b>

**Approved on Behalf of the Board**

Signed - "Larry Lubin" - Director

Signed - "Len Smofsky" - Director

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

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

	Note	April 30, 2013	April 30, 2012
<b>REVENUE</b>		\$ 1,157,052	\$ 1,278,816
<b>EXPENSES</b>			
Salaries and benefits		740,919	550,474
Consulting fees		311,422	271,802
General and administrative		161,766	299,834
Production costs		36,480	92,274
Professional fees		22,330	22,762
Amortization		4,492	2,886
<b>Total Expenses</b>		1,277,409	1,240,032
<b>(LOSS) EARNINGS BEFORE TAXES</b>		(120,357)	38,784
Current income taxes (recovery)		(23,044)	9,845
<b>NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME</b>		(97,313)	28,939
<b>(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>		\$ (0.003)	\$ 0.001
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED</b>		32,494,287	32,318,000

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

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

	Note	April 30, 2013	April 30, 2012
<b>REVENUE</b>		\$ 3,716,203	\$ 3,715,694
<b>EXPENSES</b>			
Salaries and benefits		1,779,586	1,706,299
Consulting fees		974,355	656,040
General and administrative	7	482,661	859,919
Production costs	7	196,667	286,460
Professional fees		56,333	48,816
Amortization		13,896	9,242
<b>Total Expenses</b>		3,503,498	3,566,776
<b>EARNINGS BEFORE TAXES</b>		212,705	148,918
Current income taxes		3,509	42,441
Deferred income taxes		74,449	-
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>		134,747	106,477
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC</b>		\$ 0.004	\$ 0.003
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC</b>		32,494,287	32,318,000
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED</b>		\$ 0.004	\$ 0.003
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED</b>		35,856,346	32,602,033

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**BLUERUSH DIGITAL MEDIA CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2013 AND 2012**  
(Presented in Canadian Dollars)  
(Unaudited)

	<b>Common Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>	<b>Retained Earnings</b>	<b>Total Equity</b>
<b>Balance - July 31, 2011</b>	32,318,000	\$ 735,683	\$ 107,637	\$ 1,098,656	\$ 1,941,976
Net earnings	-	-	-	106,477	106,477
Stock-based compensation	-	-	9,827	-	9,827
<b>Balance - April 30, 2012</b>	32,318,000	\$ 735,683	\$ 117,464	\$ 1,205,133	\$ 2,058,280
<b>Balance - July 31, 2012</b>	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	-	-	-	134,747	134,747
Stock-based compensation	-	-	81,942	-	81,942
<b>Balance - April 30, 2013</b>	32,518,000	\$ 763,633	\$ 336,617	\$ 726,183	\$ 1,826,433

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

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

	April 30, 2013	April 30, 2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 134,747	\$ 106,477
<b>Items not requiring an outlay of cash:</b>		
Amortization	13,896	9,242
Stock-based compensation	81,942	9,827
Deferred income taxes	74,449	-
<b>Changes in non-cash working capital:</b>		
Accounts receivable	348,497	162,960
Prepaid expenses	(5,525)	(4,392)
Work in process	(280,261)	(157,148)
Unbilled revenue	25,650	58,865
Income taxes and investment tax credits recoverable	3,509	20,112
Accounts payable and accrued liabilities	(102,607)	(113,827)
Deferred revenue	(67,258)	(20,440)
	227,039	71,676
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from shares issued on options exercised	15,000	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(11,653)	-
<b>NET INCREASE IN CASH</b>	230,386	71,676
<b>CASH, BEGINNING OF PERIOD</b>	674,571	697,394
<b>CASH, END OF PERIOD</b>	\$ 904,957	\$ 769,070

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



## **BLUERUSH DIGITAL MEDIA CORP.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012**

(Presented in Canadian Dollars)

(Unaudited)

#### **I. 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 June 28, 2013 .

#### **3. ACCOUNTS RECEIVABLE**

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

	<b>April 30, 2013 (Unaudited)</b>	<b>July 31, 2012 (Audited)</b>
Current	\$ 763,516	\$ 1,072,586
Past due less than 90 days	65,587	254,046
Past due greater than 90 days	236,276	87,244
Less: Allowance for doubtful accounts	-	-
	<b>\$ 1,065,379</b>	<b>\$ 1,413,876</b>

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 nine months ended April 30, 2013 has recorded a bad debts expense of \$Nil (2012 - \$Nil).

## BLUERUSH DIGITAL MEDIA CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012

(Presented in Canadian Dollars)

(Unaudited)

#### 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 April 30, 2013, the Company has the full \$500,000 available under the line of credit.

Subsequent to the quarter end date, the Company obtained a modification of the terms of its line of credit, as disclosed in note 10.

#### 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
<b>Balance - July 31, 2012</b>	32,368,000	\$ 742,633
Options exercised (i)	150,000	21,000
<b>Balance - April 30, 2013</b>	<b>32,518,000</b>	<b>\$ 763,633</b>

- (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.

**BLUERUSH DIGITAL MEDIA CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012**

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(Unaudited)

**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 April 30, 2013 and changes during the nine months then ended is presented below:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
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 April 30, 2013 is 7.06 years (July 31, 2012 - 6.78 years).

The Company had the following stock options outstanding as of April 30, 2013:

<b>Number of Options Outstanding</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
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		

**BLUERUSH DIGITAL MEDIA CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012**

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(Unaudited)

**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 nine months ending April 30, 2013 a summary of the status of outstanding warrants during the period is presented below:

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
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 April 30, 2013:

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

**BLUERUSH DIGITAL MEDIA CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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(Unaudited)

**7. EXPENSES****General and Administrative Expenses**

The components of general and administrative expenses for the nine months ended April 30, 2013 are as follows:

	<b>2013</b>	<b>2012</b>
Rent and occupancy costs	\$ 187,911	\$ 178,236
Travel	90,071	73,284
Advertising and promotion	48,315	49,515
Telecommunications	36,613	44,129
Other expenses	119,751	514,755
	<b>\$ 482,661</b>	<b>\$ 859,919</b>

**Production Costs**

The components of production costs for the nine months ended April 30, 2013 are as follows:

	<b>2013</b>	<b>2012</b>
Hosting	\$ 79,849	\$ 75,048
Camera and teleprompter	15,337	49,076
Talent	14,004	55,484
Other production costs	87,477	106,852
	<b>\$ 196,667</b>	<b>\$ 286,460</b>

## **BLUERUSH DIGITAL MEDIA CORP.**

### **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2013 AND 2012**

**(Presented in Canadian Dollars)**

**(Unaudited)**

#### **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 nine months ended April 30, 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 \$293,462 (2012 - \$278,462) for compensation paid to key management personnel.
- b) Included in salaries and benefits is an amount of \$21,938 (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 period's presentation.

#### **10. SUBSEQUENT EVENT**

On May 10, 2013, the Company obtained a modification of the terms of its line of credit to allow 50% margin on accounts receivable between 90 and 120 days and to increase the limit to \$750,000.