

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2017
(Presented in Canadian Dollars)
(Unaudited)**

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BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2017

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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. (the "Company") as at and for the three and nine months ended April 30, 2017 and 2016 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 and nine months ended April 30, 2017 and 2016 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

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BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF (Presented in Canadian Dollars)

	Note	April 30, 2017 (Unaudited)	July 31, 2016 (Audited)
ASSETS			
Current Assets			
Cash		\$ 1,324,117	\$ 2,068,136
Accounts receivable		524,884	733,540
Prepays and other assets		215,211	23,062
Investment tax credits recoverable		-	412,378
Unbilled revenue	3	22,601	19,513
Total Current Assets		2,086,813	3,256,629
Long Term Assets			
Investment tax credits recoverable		530,783	530,783
Equipment	4	32,076	36,123
Intangibles	5	642,435	578,957
Total Long Term Assets		1,205,294	1,145,863
Total Assets		\$ 3,292,107	\$ 4,402,492
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 476,245	\$ 686,699
Deferred revenue	3	128,344	203,012
Term loans - current portion	7	62,481	249,900
Total Current Liabilities		667,070	1,139,611
Long Term Liabilities			
Term loans	7	1,055,328	952,386
Deferred taxes		97,136	117,018
Total Long Term Liabilities		1,152,464	1,069,404
Commitments	8		
Equity			
Share capital	9	774,883	774,883
Contributed surplus	9	336,551	336,551
Retained earnings		361,139	1,082,043
Total Equity		1,472,573	2,193,477
Total Liabilities and Equity		\$ 3,292,107	\$ 4,402,492
Approved on Behalf of the Board			
(Signed) - "Larry Lubin", Director		(Signed) - "Jim Moriarty", Director	

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED APRIL 30 (Presented in Canadian Dollars) (Unaudited)

	Note	2017	2016
REVENUE		\$ 784,819	\$ 737,320
EXPENSES			
Salaries and benefits		571,278	297,203
Consulting fees		177,472	272,788
General and administrative		92,565	342,554
Production costs		83,998	83,547
Professional fees		33,594	38,526
Interest and bank charges		23,394	22,461
Amortization of intangible assets		42,665	7,891
Amortization of equipment		2,307	2,343
Total Expenses		1,027,273	1,067,313
LOSS BEFORE TAXES		(242,454)	(329,993)
Current income taxes		-	-
Deferred income taxes (recovery)		12,476	(61,295)
Total Income Taxes		12,476	(61,295)
NET LOSS AND COMPREHENSIVE LOSS		\$ (254,930)	\$ (268,698)
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ (0.008)	\$ (0.008)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,593,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ (0.008)	\$ (0.008)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	32,593,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS FOR THE NINE MONTHS ENDED APRIL 30 (Presented in Canadian Dollars) (Unaudited)

	Note	2017	2016
REVENUE		\$ 2,573,192	\$ 2,714,963
EXPENSES			
Salaries and benefits		1,742,622	1,174,585
Consulting fees		641,679	660,573
General and administrative	10	388,713	604,273
Production costs	10	284,572	239,338
Professional fees		93,641	105,259
Interest and bank charges		66,447	69,801
Amortization of intangible assets		88,935	23,672
Amortization of equipment		7,369	7,306
Total Expenses		3,313,978	2,884,807
LOSS BEFORE TAXES		(740,786)	(169,844)
Deferred income taxes		(19,882)	(35,738)
Total Income Taxes		(19,882)	(35,738)
NET LOSS AND COMPREHENSIVE LOSS		\$ (720,904)	\$ (134,106)
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ (0.022)	\$ (0.004)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,593,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ (0.022)	\$ (0.004)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	32,593,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED APRIL 30, 2017 and 2016

(Presented in Canadian Dollars)

(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - August 1, 2016	32,593,000 \$	774,883 \$	336,551 \$	1,264,346 \$	2,375,780
Net loss	-	-	-	(134,106)	(134,106)
Balance - April 30, 2017	32,593,000 \$	774,883 \$	336,551 \$	1,130,240 \$	2,241,674
Balance - August 1, 2016	32,593,000	774,883	336,551	1,082,043	2,193,477
Net loss	-	-	-	(720,904)	(720,904)
Balance - April 30, 2017	32,593,000 \$	774,883 \$	336,551 \$	361,139 \$	1,472,573

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 NINE MONTHS ENDED APRIL 30 (Presented in Canadian Dollars) (Unaudited)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (720,904)	\$ (134,106)
Items not requiring an outlay of cash:		
Amortization of equipment	7,369	7,306
Amortization of intangibles	88,935	23,672
Unrealized gain on foreign exchange	(47,697)	38,179
Interest accretion on term loans	4,968	4,966
Deferred income taxes	(19,882)	(35,738)
Changes in non-cash working capital:		
Accounts receivable	209,581	156,914
Prepays and other assets	(192,149)	(4,703)
Unbilled revenue	(3,088)	(25,354)
Income taxes and investment tax credits recoverable	412,378	181,600
Accounts payable and accrued liabilities	(211,401)	(88,908)
Deferred revenue	(74,668)	88,778
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
	(546,558)	212,606
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from term loans	98,000	-
Repayment of term loans	(187,445)	-
NET CASH USED IN FINANCING ACTIVITIES		
	(89,445)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangible assets	(152,413)	(730,695)
Expenditures recovered to develop internally generated intangible assets	-	450,970
Purchase of equipment	(3,323)	(8,017)
NET CASH USED IN INVESTING ACTIVITIES		
	(155,736)	(287,742)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		
	47,720	(32,247)
NET DECREASE IN CASH		
	(744,019)	(107,383)
CASH, BEGINNING OF YEAR		
	2,068,136	2,121,550
CASH, END OF YEAR		
	\$ 1,324,117	\$ 2,014,167
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 61,481	\$ 64,835
Income taxes paid	\$ -	\$ -

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 NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(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").

These financial statements should be read in conjunction with the Company's 2016 annual financial statements.

These financial statements were authorized by the Board of Directors on June 29, 2017.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value.

Functional and Presentation Currency

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

Basis of Consolidation

These consolidated financial statements include the accounts of BlueRush and its wholly-owned subsidiary, BlueRush Digital Media Corp. All intercompany accounts and transactions have been eliminated on consolidation.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

3. CONTRACT COSTS AND REVENUES

	April 30, 2017	April 30, 2016
Costs incurred on contracts in progress	\$ 316,502	
Profits recognized on contracts in progress	124,666	321,095
Progress billings	(546,911)	(1,099,871)
	(105,743)	(778,776)
Unbilled revenue	22,601	11,688
Deferred revenue	\$ (128,344)	\$ (514,443)

4. EQUIPMENT

The components of equipment are as follows as of April 30, 2017:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2016	\$ 69,681	\$ 109,170	\$ 178,851
Additions	-	3,323	3,323
Disposals	-	-	-
Closing balance - April 30, 2017	\$ 69,681	\$ 112,493	\$ 182,174

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2016	\$ 57,645	\$ 85,083	\$ 142,728
Amortization	1,717	5,653	7,370
Closing balance - April 30, 2017	\$ 59,362	\$ 90,736	\$ 150,098

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2016	\$ 12,036	\$ 24,087	\$ 36,123
Balance - April 30, 2017	\$ 10,319	\$ 21,757	\$ 32,076

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of April 30, 2017:

Cost	Available for Use	Under Development	Total
Opening balance - August 1, 2016	\$ 293,934	\$ 337,528	\$ 631,462
Additions	-	152,413	152,413
Intangibles available for use	448,846	(448,846)	-
Closing balance - April 30, 2017	\$ 742,780	\$ 41,095	\$ 783,875
Accumulated Amortization			
Opening balance - August 1, 2016	\$ 52,505	\$ -	\$ 52,505
Amortization	88,935	-	88,935
Closing balance - April 30, 2017	\$ 141,440	\$ -	\$ 141,440
Carrying Value			
Balance - August 1, 2016	\$ 241,429	\$ 337,528	\$ 578,957
Balance - April 30, 2017	\$ 601,340	\$ 41,095	\$ 642,435

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	April 30, 2017	July 31, 2016
Trade accounts payable	\$ 163,937	\$ 115,389
Accrued liabilities	10,000	157,883
Accrued vacation pay and other employee benefits	127,518	113,566
Government remittances payable	21,265	43,266
Customer deposits	153,525	256,595
	\$ 476,245	\$ 686,699

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

7. TERM LOANS

	April 30, 2017	July 31, 2016
Investissement Quebec (i)	\$ 833,330	\$ 983,333
Business Development Bank of Canada (ii)	308,000	245,440
Transaction costs	(23,521)	(26,487)
	1,117,809	1,202,286
Current portion	(62,481)	(249,900)
	\$ 1,055,328	\$ 952,386

- (i) In June and July 2015 the Company received a term loan from Investissement Quebec ("IQ") in the amount of \$1,000,000 to fund working capital needs. The term loan is interest-bearing at prime rate plus 3.15% per annum. Interest only payments are required until June 2016 (12 months), thereafter monthly principal payments of \$16,665 plus interest are due until May 2021 (59 months), with the final payment of \$16,765 due June 2021. The loan is secured by a universal mortgage on all present and future assets, including a first ranking on tax credits. Two current directors / officers of the Company have personally guaranteed \$100,000 of the loan.
- (ii) In July 2015, the Company received a term loan from the Business Development Bank of Canada ("BDC") in the amount of \$250,000 to fund working capital needs. The term loan is interest-bearing at BDC's Floating Base Rate plus 2.5% per annum. The first monthly principal payment of \$4,560 plus interest is due July 2016, thereafter monthly principal payments of \$4,160 plus interest are due until June 2021 (59 months). 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.

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

2017 (Three months)	\$ 62,481
2018	268,584
2019	269,844
2020	269,844
2021	248,997
Thereafter	21,580
	\$ 1,141,330

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	32,312
Two to five years		160,256
More than five years		-
	\$	192,568

9. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 common shares issued and outstanding as at April 30, 2017 and July 31, 2016.

Stock Option Plan

A summary of the status of the Company's stock options as at April 30, 2017 and changes during the nine months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,875,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	1,875,000	\$ 0.15
Exercisable - end of period	1,875,000	\$ 0.15

The weighted average remaining contractual life of stock options as of April 30, 2017 is 5.03 years (July 31, 2016 - 5.78 years).

The Company had the following stock options outstanding as of April 30, 2017:

Number of Options Outstanding	Exercise Price \$	Expiry Date
1,875,000	0.15	May 10, 2022

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

10. EXPENSES BY NATURE

General and Administrative Expenses

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

	2017	2016
Rent and occupancy costs	\$ 154,500	\$ 151,135
Advertising and promotion	79,324	97,015
Travel	75,676	79,974
Telecommunications	30,612	28,212
Other expenses	32,701	98,007
Computer and software	24,886	42,351
Meals and entertainment	17,443	19,344
Insurance	14,128	16,227
Foreign exchange (gain) loss	(52,763)	33,871
Stock exchange fees	9,558	12,718
Training and recruitment	2,648	25,419
	\$ 388,713	\$ 604,273

Production Costs

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

	2017	2016
Hosting	\$ 134,999	\$ 130,585
Camera and teleprompter	37,497	30,734
Talent	830	13,544
Other production costs	111,246	64,475
	\$ 284,572	\$ 239,338

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

11. 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, 2017 were only compensation to key management personnel.

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 for the three and nine months ended April 30, 2017 is \$89,096 and \$310,537, respectively (three and nine months ended April 30, 2016 - \$123,378 and \$331,879 respectively) for compensation paid to key management personnel.

12. FINANCIAL INSTRUMENTS

Credit Risk

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.

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

	April 30, 2017	July 31, 2016
Current	\$ 370,969	\$ 385,300
Past due less than 90 days	152,559	337,429
Past due greater than 90 days	1,356	10,811
Less: Allowance for doubtful accounts	-	-
	\$ 524,884	\$ 733,540

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. 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, on its bank overdraft which is due on demand and its term loans which are repayable in 60 monthly instalments of approximately \$16,665 and \$4,160 beginning in July 2016. 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, 2017, the Company had cash on hand of \$1,324,117 and accounts receivable of \$524,884 to meet working capital requirements.

Management expects that its capital resources will be sufficient to fund its ongoing liabilities as they come due.

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

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Consequently, some assets, liabilities, revenues and purchases are exposed to foreign exchange fluctuations. As at April 30, 2017, cash, accounts receivable and accounts payable of \$872,328, \$89,800 and \$14,659 (July 31, 2016 - \$700,595, \$66,340 and \$Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.365 (July 31, 2016 - 1.3041). For the nine months ended April 30, 2017, the Company recognized a gain on foreign exchange of \$52,763 (2016 - loss of \$33,871) as a result of the changes in the rate of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in an increase or decrease in net earnings of approximately \$47,000.

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 credit facility and term loans.

Sensitivity Analysis

As at April 30, 2017, 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.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED APRIL 30, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

Fair Value Hierarchy

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. The fair value of Level 1 financial instruments is based on quoted market prices.

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