

BlueRush Media Group Corp.

Consolidated Financial Statements

For the Years Ended July 31, 2009 and 2008



Collins Barrow

Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
BlueRush Media Group Corp.

We have audited the consolidated balance sheets of **BlueRush Media Group Corp.** as at **July 31, 2009** and **2008** and the consolidated statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at **July 31, 2009** and **2008** and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants

September 21, 2009
Toronto, Ontario

BlueRush Media Group Corp.

Consolidated Balance Sheets
As at July 31, 2009 and 2008

	Note	2009	2008
Assets			
Current			
Cash and cash equivalents		\$ 166,957	\$ 615,696
Accounts receivable		790,298	572,446
Prepays		11,884	11,118
Income taxes recoverable		42,135	-
		1,011,274	1,199,260
Property and equipment	5	64,539	82,097
		\$1,075,813	\$1,281,357

Liabilities

Current			
Accounts payable and accrued liabilities		\$ 141,341	\$ 225,409
Income taxes payable		-	95,554
Deferred revenue		43,260	-
		184,601	320,963
Due to related party	6	10,022	10,022
		194,623	330,985

Shareholders' Equity

Capital stock	7	735,683	735,683
Contributed surplus	8	30,414	14,009
Retained earnings		115,093	200,680
		881,190	950,372
		\$1,075,813	\$1,281,357

Commitments (Note 11)

Approved by the Board "Laurence Lubin" Director "Haron Ezer" Director
(Signed) (Signed)

See accompanying notes.

BlueRush Media Group Corp.

Consolidated Statements of Operations and Retained Earnings For the Years Ended July 31, 2009 and 2008

		2009	2008
Revenue		\$2,889,501	\$2,568,612
Expenses			
Salaries and benefits		1,851,276	1,218,630
Production costs		226,953	310,464
Consulting fees		488,315	310,191
Professional fees		44,104	57,927
Stock based compensation	10	16,405	14,009
General and administrative		372,612	331,519
Amortization		17,558	15,625
		3,017,223	2,258,365
Earnings (loss) before income taxes		(127,722)	310,247
Current income taxes (recovery)	12	(42,135)	95,554
Net earnings (loss)		(85,587)	214,693
Retained earnings (deficit) at beginning of year		200,680	(14,013)
Retained earnings at end of year		\$ 115,093	\$ 200,680
Earnings (loss) per share - basic and diluted	13	\$ (0.003)	\$ 0.007

See accompanying notes.

BlueRush Media Group Corp.

Consolidated Statements of Cash Flows For the Years Ended July 31, 2009 and 2008

	2009	2008
Cash flows (used in) from operating activities		
Net earnings (loss) for the year	\$ (85,587)	\$ 214,693
Add items not affecting cash		
Amortization	17,558	15,625
Stock based compensation	16,405	14,009
	(51,624)	244,327
Changes in non-cash working capital items		
Accounts receivable	(217,852)	(474,290)
Prepays	(766)	(10,654)
Income taxes payable/recoverable	(137,689)	95,554
Accounts payable and accrued liabilities	(84,068)	137,073
Deferred revenue	43,260	-
	(448,739)	(7,990)
Cash flows used in investing activity		
Purchase of property and equipment	-	(65,114)
Cash flows from (used in) financing activities		
Advances from related party	-	(16,500)
Advances of loan payable	-	(18,996)
	-	(35,496)
Decrease in cash and cash equivalents during the year	(448,739)	(108,600)
Cash and cash equivalents at beginning of year	615,696	724,296
Cash and cash equivalents at end of year	\$ 166,957	\$ 615,696
Cash and cash equivalents represented by:		
	2009	2008
Cash	\$ 166,957	\$ 510,949
Cash equivalents	-	104,747
	\$ 166,957	\$ 615,696

See accompanying notes.

BlueRush Media Group Corp.

Notes to Consolidated Financial Statements
July 31, 2009 and 2008

1. NATURE OF OPERATIONS

BlueRush Media Group Corp. ("the Company"), with its head office in Toronto, Ontario, was incorporated on April 6, 2004 under the Business Corporations Act (Ontario). The Company, through its wholly owned subsidiary, BlueRush Digital Media Corp. ("BlueRush", formerly BlueRush.TV. Inc.), is a digital marketing company which combines leading edge technology with award winning creative television production.

On December 7, 2007, the Company changed its name from Soyers Capital Limited ("Soyers") to BlueRush Media Group Corp. The change was approved by shareholders at the annual and special meeting of shareholders held on that date.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada, within the framework of the significant accounting policies summarized below:

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, BlueRush. Inter-company balances and transactions are eliminated upon consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash in the bank and highly liquid investments with maturities of 3 months or less at the date of purchase.

Property and Equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives, at the following annual rates:

Computer equipment	- 30%, declining balance basis
Furniture and fixtures	- 20%, declining balance basis

Impairment of Long-Lived Assets

Long-lived assets comprise property and equipment. The Company recognizes an impairment loss for a long-lived asset when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carrying value of the asset over its fair value.

BlueRush Media Group Corp.

Notes to Consolidated Financial Statements
July 31, 2009 and 2008

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share Issue Costs

Costs incurred in connection with the issuance of capital stock are recorded in share capital.

Revenue Recognition

The Company generates revenue from the creation of rich media marketing solutions. The Company's solutions are quite robust in nature as each project requires a technological, graphical and consultative component. The Company recognizes revenue related to these projects based on the completion of certain milestones during the project. These milestones are mutually set by the company and its customers. Upon confirmation from the customer of the company meeting the milestones, the company will recognize revenue for the work completed at that point of time.

Differences between timing of billings, based on contract milestones and the recognition of revenue, are recognized as unbilled accounts receivable or deferred revenue.

Accounting for Stock-Based Compensation and Other Stock-Based Payments

The Company applies a fair value based method of accounting for all stock-based payments. Accordingly, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Stock-based compensation is charged to operations over the vesting period and the offset is credited to contributed surplus. Consideration received upon the exercise of stock options is credited to share capital and the related contributed surplus is transferred to share capital.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

Earnings (Loss) Per Share

Basic earnings per share is calculated on the basis of the weighted average number of shares outstanding for the year. Diluted earnings per share is computed using the weighted average number of common and potential common shares outstanding during the year. Potential common shares consist of the incremental common shares issuable upon the exercise of stock options using the treasury stock method.

BlueRush Media Group Corp.

Notes to Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates.

Significant areas requiring the use of management estimates relate to the useful lives of property and equipment for amortization purposes, amounts recorded as accrued liabilities, valuation allowance on future tax assets and the fair values of financial instruments and stock based compensation.

Financial instruments

The Company has classified its financial instruments as follows:

<u>Financial Instruments</u>	<u>Classification</u>
Cash and cash equivalents	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related party	Other financial liabilities

Financial assets and liabilities classified as held for trading are measured at fair values at each reporting period with changes in fair value in subsequent periods included in operations.

Financial assets classified as loans and receivables and liabilities classified as other financial liabilities are measured at amortized cost using the effective interest method.

Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale securities, net of income taxes. The Company does not currently have any other comprehensive income and, accordingly, statements of comprehensive income and accumulated other comprehensive income have not been presented.

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Notes to Consolidated Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital Disclosures

CICA Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures required by this Handbook section in Note 15 to these consolidated financial statements.

3. ADOPTION OF NEW ACCOUNTING POLICIES

Financial Instruments - Disclosures

Handbook Section 3862 requires an entity to provide disclosures to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about the nature and extent of risks arising from financial instruments, including specified minimum disclosures about liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. The Company has included disclosures recommended by this new Handbook section in Note 16.

Financial Instruments – Presentation

Handbook Section 3863 replaces the existing requirements on presentation of financial instruments which have been carried forward unchanged to this new section.

General Standards of Financial Statement Presentation

In May 2007, the Accounting Standards Board amended Section 1400 "General Standards of Financial Statement Presentation" to change guidance on management's responsibility to assess and disclose the Company's ability to continue as a going concern. This requires management to assess an entity's ability to continue as a going concern, taking into account all available information about the future which is, at least, but not limited to, twelve months from the balance sheet date. Financial statements must be presented on a going concern basis unless the management either intends to liquidate the entity, cease trading or operations, or has no realistic alternative but to do so. The Company has determined that this new section has no disclosure impact on its financial statements.

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Notes to Consolidated Financial Statements
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4. RECENT ACCOUNTING PRONOUNCEMENT

International Financial Reporting Standards ("IFRS")

In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after August 1, 2011. The transition date of August 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2011 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. PROPERTY AND EQUIPMENT

As at July 31, 2009

	Cost	Accumulated Amortization	Net 2009
Computer equipment	\$ 39,991	\$ 19,301	\$ 20,690
Furniture and fixtures	62,883	19,034	43,849
	\$ 102,874	\$ 38,335	\$ 64,539

As at July 31, 2008

	Cost	Accumulated Amortization	Net 2008
Computer equipment	\$ 39,991	\$ 11,729	\$ 28,262
Furniture and fixtures	62,883	9,048	53,835
	\$ 102,874	\$ 20,777	\$ 82,097

6. DUE TO RELATED PARTY

Amount due to an officer and director of the Company is non-interest bearing, unsecured, and due on demand. The officer and director has agreed not to demand repayment before August 1, 2010 and accordingly, the amount has been classified as long term on the balance sheet.

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Notes to Consolidated Financial Statements
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7. CAPITAL STOCK

Authorized
unlimited Common shares

Issued - common shares

	Number	Value
Balance, July 31, 2008 and 2009	32,318,000	\$ 735,683

8. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	2009	2008
Balance, beginning of year	\$ 14,009	\$ -
Stock-based compensation (Note 10)	16,405	14,009
Balance, end of year	\$ 30,414	\$ 14,009

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9. STOCK OPTIONS

Stock Option Plan

Pursuant to resolutions of the Board of Directors, a Stock Option Plan (the "Plan") has been established. The aggregate number of common shares reserved for issuance under the Plan will not exceed 10% of the total issued and outstanding common shares. The Plan is available to the Company's directors, officers, employees and consultants. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. Options granted either vest immediately or within four years.

The following summarizes the stock option activities:

	2009		2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Beginning balance	1,525,850	\$ 0.10	925,850	\$ 0.10
Granted	590,000	0.10	600,000	0.11
Outstanding, end of year	2,115,850	\$ 0.10	1,525,850	\$ 0.10
Exercisable	1,242,517	\$ 0.10	1,013,350	\$ 0.10

The Company had the following stock options outstanding under the Plan at July 31, 2009. Each option granted allows the holder to purchase one common share at the exercise price. As of July 31, 2009, there were 1,115,950 options available for grant.

Number of Options	Exercise Price	Expiry Date
785,850	\$ 0.100	January 13, 2010
70,000	\$ 0.120	April 6, 2010
70,000	\$ 0.100	August 31, 2011
425,000	\$ 0.100	November 20, 2012
175,000	\$ 0.130	June 10, 2013
590,000	\$ 0.100	May 8, 2014
2,115,850		

BlueRush Media Group Corp.

Notes to Consolidated Financial Statements
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10. STOCK-BASED COMPENSATION

During the year ended July 31, 2009, stock-based compensation for all vested options was \$16,405 (2008 - \$14,009), which was credited to contributed surplus. During fiscal 2009, the Company granted 590,000 (2008 - 600,000) options to employees of the Company. The weighted average fair value of the options granted in fiscal year 2009 was estimated at \$0.05 (2008 - \$0.06) by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2009	2008
Risk-free interest rate	2.19%	3.76%
Dividend yield	0%	0%
Volatility	187%	79%
Expected life	5 years	5 years

The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

11. COMMITMENTS

The Company has the following lease commitments for premises.

2010	\$	130,201
2011		130,801
2012		117,594
2013		68,384
	\$	446,980

BlueRush Media Group Corp.

Notes to Consolidated Financial Statements
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12. INCOME TAXES

(i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the financial statements:

	2009	2008
Earnings (loss) before income taxes	\$ (127,722)	\$ 310,247
Statutory rate	33.29 %	34.81 %
Expected income tax expense (recovery)	\$ (42,519)	\$ 107,997
Non-deductible expenses and other	5,074	4,785
Change in valuation allowance relating to operations	(4,690)	(17,228)
Income tax expense (recovery)	\$ (42,135)	\$ 95,554

(ii) Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2009	2008
Amounts related to tax loss carry forwards	\$ 34,003	\$ 31,437
Property and equipment	(2,929)	(1,085)
Share issue costs	18,871	24,283
	49,945	54,635
Less: Valuation allowance	(49,945)	(54,635)
	\$ -	\$ -