

**BLUERUSH MEDIA GROUP CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**OCTOBER 31, 2012**  
**(Presented in Canadian Dollars)**  
**(Unaudited)**

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**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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**(Unaudited)**

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

	Note	October 31, 2012 (Unaudited)	July 31, 2012 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 1,108,035	\$ 674,571
Accounts receivable		850,251	1,413,876
Prepaid expenses		17,348	21,250
Income taxes and investment tax credits recoverable		75,386	75,386
Unbilled revenue		41,400	29,850
Work in process		256,839	42,363
<b>Total Current Assets</b>		<b>2,349,259</b>	<b>2,257,296</b>
<b>Long Term Assets</b>			
Equipment	3	65,893	67,073
Deferred tax asset		19,402	74,449
<b>Total Long Term Assets</b>		<b>85,295</b>	<b>141,522</b>
<b>Total Assets</b>		<b>\$ 2,434,554</b>	<b>\$ 2,398,818</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 82,587	\$ 248,889
Deferred revenue		521,427	555,185
<b>Total Current Liabilities</b>		<b>604,014</b>	<b>804,074</b>
<b>Commitments</b>	5		
<b>Equity</b>			
Share capital	6	763,633	742,633
Contributed surplus	6	281,989	260,675
Retained earnings		784,918	591,436
<b>Total Equity</b>		<b>1,830,540</b>	<b>1,594,744</b>
<b>Total Liabilities and Equity</b>		<b>\$ 2,434,554</b>	<b>\$ 2,398,818</b>

**Approved on Behalf of the Board**

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 THREE MONTHS ENDED OCTOBER 31**  
(Presented in Canadian Dollars)  
(Unaudited)

	Note	2012	2011
<b>REVENUE</b>		\$ 1,189,888	\$ 1,310,631
<b>EXPENSES</b>			
Salaries and benefits		376,204	612,988
Consulting fees		319,889	326,390
General and administrative	7	131,920	151,514
Production costs	7	72,791	132,006
Professional fees		35,803	7,500
Amortization		4,752	3,280
<b>Total Expenses</b>		941,359	1,233,678
<b>EARNINGS BEFORE TAXES</b>		248,529	76,953
Income taxes		55,047	22,186
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>		193,482	54,767
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC</b>		\$ 0.006	\$ 0.002
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC</b>		32,447,121	32,318,000
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED</b>		\$ 0.006	\$ 0.002
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED</b>		35,021,077	33,520,931

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 THREE MONTHS ENDED OCTOBER 31, 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 - August 1, 2011</b>	32,318,000	\$ 735,683	\$ 107,637	\$ 1,098,656	\$ 1,941,976
Net earnings	-	-	-	54,767	54,767
Stock-based compensation	-	-	7,438	-	7,438
<b>Balance - October 31, 2011</b>	32,318,000	\$ 735,683	\$ 115,075	\$ 1,153,423	\$ 2,004,181
<b>Balance - August 1, 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	-	-	-	193,482	193,482
Stock-based compensation	-	-	27,314	-	27,314
<b>Balance - October 31, 2012</b>	32,518,000	\$ 763,633	\$ 281,989	\$ 784,918	\$ 1,830,540

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**BLUERUSH MEDIA GROUP CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED OCTOBER 31**  
(Presented in Canadian Dollars)  
(Unaudited)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 193,482	\$ 54,767
<b>Items not requiring an outlay of cash:</b>		
Amortization	4,752	3,280
Stock-based compensation	27,314	7,438
Deferred income taxes	55,047	-
<b>Changes in non-cash working capital:</b>		
Accounts receivable	563,625	566,022
Prepaid expenses	3,902	3,007
Work in process	(214,476)	33,152
Unbilled revenue	(11,550)	58,865
Income taxes and investment tax credits recoverable	-	14,671
Accounts payable and accrued liabilities	(166,302)	(16,015)
Deferred revenue	(33,758)	(155,020)
	422,036	570,167
<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	(3,572)	-
<b>NET INCREASE IN CASH</b>	433,464	570,167
<b>CASH, BEGINNING OF PERIOD</b>	674,571	697,394
<b>CASH, END OF PERIOD</b>	\$ 1,108,035	\$ 1,267,561
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
<b>INTEREST PAID</b>	\$ 497	\$ -
<b>INCOME TAXES PAID</b>	\$ -	\$ 6,771

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**BLUERUSH MEDIA GROUP CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED OCTOBER 31, 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 at 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 December 28, 2012.

**BLUERUSH MEDIA GROUP CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED OCTOBER 31, 2012**

(Presented in Canadian Dollars)

(Unaudited)

**3. EQUIPMENT**

The components of equipment are as follows as of October 31, 2012:

<b>Cost</b>	<b>Furniture and Fixtures</b>	<b>Computer Equipment</b>	<b>Total</b>
Opening balance - August 1, 2012	\$ 69,681	\$ 84,012	\$ 153,693
Additions	-	3,572	3,572
Disposals	-	-	-
Closing balance - October 31, 2012	\$ 69,681	\$ 87,584	\$ 157,265

<b>Accumulated Amortization</b>	<b>Furniture and Fixtures</b>	<b>Computer Equipment</b>	<b>Total</b>
Opening balance - August 1, 2012	\$ 41,841	\$ 44,779	\$ 86,620
Amortization	1,392	3,360	4,752
Closing balance - October 31, 2012	\$ 43,233	\$ 48,139	\$ 91,372

<b>Carrying Value</b>	<b>Furniture and Fixtures</b>	<b>Computer Equipment</b>	<b>Total</b>
Balance - August 1, 2012	\$ 27,840	\$ 39,233	\$ 67,073
Balance - October 31, 2012	\$ 26,448	\$ 39,445	\$ 65,893

**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 October 31, 2012, the Company has the full \$500,000 available under the line of credit.



**BLUERUSH MEDIA GROUP CORP.**  
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**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 - October 31, 2012</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.

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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 October 31, 2012 and changes during the three 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	-	-
Outstanding - end of period	3,030,000	\$ 0.13
Exercisable - end of period	1,917,499	\$ 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 October 31, 2012 is 6.85 years (July 31, 2012 - 6.78 years).

The Company had the following stock options outstanding as of October 31, 2012:

<b>Number of Options Outstanding</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>
175,000	0.10	November 20, 2012
175,000	0.13	June 10, 2013
450,000	0.10	May 8, 2014
180,000	0.10	March 5, 2015
2,050,000	0.15	May 10, 2022
3,030,000		

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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 three months ending October 31, 2012 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 October 31, 2012:

<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 MEDIA GROUP CORP.****NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED OCTOBER 31, 2012**

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

The components of general and administrative expenses for the three months ended October 31 are as follows:

	<b>2012</b>	<b>2011</b>
Rent and occupancy costs	\$ 59,658	\$ 57,140
Travel	19,081	25,573
Advertising and promotion	14,807	354
Telecommunications	11,597	13,056
Other expenses	26,777	55,391
	<b>\$ 131,920</b>	<b>\$ 151,514</b>

**Production Costs**

The components of production costs for the three months ended October 31 are as follows:

	<b>2012</b>	<b>2011</b>
Hosting	\$ 25,343	\$ 21,114
Camera and teleprompter	7,941	21,520
Talent	7,302	23,561
Other production costs	32,205	65,811
	<b>\$ 72,791</b>	<b>\$ 132,006</b>

**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 three months ended October 31, 2012, 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 \$93,461 (2011 - \$85,846) for compensation paid to key management personnel.
- b) Included in salaries and benefits is an amount of \$7,313 (2011 - \$7,438) 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.