

# BLUERUSH MEDIA GROUP CORP.

## MANAGEMENT DISCUSSION AND ANALYSIS

Dated: June 30, 2015

For The Three and Nine Months Ended April 30, 2015

This management's discussion and analysis of the consolidated financial condition and results of operation ("MD&A") of BlueRush Media Group Corp. ("BlueRush" or the "Company") should be read in conjunction with BlueRush's audited consolidated financial statements and notes thereto as at and for the year ended July 31, 2014 and 2013. Accounting policies followed in the preparation of the annual consolidated financial statements are disclosed in note 2 of the Notes to the audited consolidated financial statements as at and for the years then ended July 31, 2014 and 2013.

The Company prepares and files its interim financial statements and MD&A in Canadian dollars and in accordance with International Financial Reporting Standards, ("IFRS"). Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at our website [www.bluerush.ca](http://www.bluerush.ca).

References to "We", "Our", "BlueRush", or "the Company" mean BlueRush Media Group Corp. and subsidiary, unless the context requires otherwise.

The MD&A was approved for issue by the Board of Directors on June 30, 2015.

### **Caution Regarding Forward-Looking Information:**

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to future events or the Company's future performance and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, but is not limited to, the Company's expectations regarding its future working capital requirements, including its ability to satisfy such requirements, the exposure of its financial instruments to various risks and its ability to manage those risks, the Company's ability to use loss carryforwards, and fees to be incurred by foreign subsidiaries.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: obtaining the necessary financing for operations, our ability to generate taxable income from operations, fluctuations in the value of our portfolio investments due to market conditions and/or company-specific factors, fluctuations in prices of commodities underlying our interests and portfolio investments, risks relating to oil and gas exploration activities generally, strength of the Canadian, U.S. and global economies, foreign exchange fluctuations, political and economic conditions in the countries in which the Company's property interests are located and other risks included elsewhere in this MD&A under the heading "Risks" and in the Company's public disclosure documents filed with certain Canadian securities regulatory authorities and available under the Company's profile at [www.sedar.com](http://www.sedar.com).

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### NATURE OF THE BUSINESS

BlueRush, through its wholly owned subsidiary, BlueRush Digital Media Corp., is a digital marketing company which combines leading edge technology with award winning creative design. BlueRush helps companies design, develop and manage their end-to-end digital media strategy. BlueRush also creates innovative rich media and social media products and solutions that companies can leverage across all new media platforms including Internet, Web TV, Smartphones, Tablet Computers and Digital Signs. BlueRush Media Group Corp. is a publicly listed company on the TSX Venture Exchange trading under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

### OVERALL PERFORMANCE

For the three months end April 30, 2015 BlueRush achieved revenues \$760,178 and a net loss of \$98,309. This compares to \$817,524 of revenue and a loss of \$84,647 for the three months ended April 30, 2014.

During the three months ended April 30, 2015, the Company's revenues decreased by approximately 7% compared to the prior comparative period. The company continued work on a number of larger contracts with major financial services organizations. New projects were also initiated in the financial and healthcare verticals. Of particular note BlueRush commenced work on a pilot during the quarter for Digital Reach for a financial services client.

Sales and marketing activities continued with the new focus on solution selling in addition to services. The reaction to the new solutions in place and requests for proposals continues to be encouraging. The Company did close a number of such projects related to products.

During the nine months ended April 30, 2015, the Company advanced on projects with clients in financial services and healthcare. Projects worked during the quarter included complex financial tools, mobile applications as well as responsively designed websites. The Company also issued press releases during the quarter for: the Launch of Managing Cancer at Work and the release of the BlueRush personalization suite including Individeo™ and Interactive Conversation™.

Our partner on the regulatory financial content distribution side is active in promoting the custom solution developed for them by BlueRush. Given new Client Relationship Management ("CRM") regulations, financial institutions will need to be onboard with a solution to meet regulatory requirements by May 31<sup>st</sup>, 2016. This bodes very well for BlueRush given that our partner is well entrenched in the financial marketplace with direct and existing relationships in place. Once again the nature of revenues for the sale of our regulatory product solution will generate recurring revenues of three years or more as rolling contracts. BlueRush was also active in the sales and marketing of its Digital Reach solution with outstanding proposals that we expect to materialize in the next quarter.

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### RESULTS OF OPERATIONS

Certain financial information for the Company as of April 30, 2015 and July 31, 2014 and for the three and nine months ended April 30, 2015 is provided below:

	As of April 30, 2015 (Unaudited)		As of July 31, 2014 (Audited)	
Total Assets	\$	3,740,411	\$	3,468,504
Total Financial Liabilities		1,160,090		1,203,018
Shareholders' Equity		2,046,125		1,870,479

	Three Months Ended			
	April 30, 2015 (Unaudited)		April 30, 2014 (Unaudited)	
Revenue from Operations	\$	760,178	\$	817,524
Net loss		(98,309)		(84,647)
per share - basic		(0.003)		(0.003)
per share - diluted		(0.003)		(0.003)

	Nine Months Ended			
	April 30, 2015 (Unaudited)		April 30, 2014 (Unaudited)	
Revenue from Operations	\$	2,949,038	\$	3,473,096
Net earnings		175,646		135,362
per share - basic		0.005		0.004
per share - diluted		0.005		0.004

No dividends were declared by the Company during any of the periods indicated.

The decrease in revenue of approximately 7% and 15% for the three months and nine months ended April 30, 2015, respectively, was due to the timing of recognition of projects in progress compared to the prior comparative period as well as decrease in business from major clients in the financial services industry. The Company is continuing to gain ground with other clients and expects this to continue. Furthermore, with

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the addition of new services and solutions the Company aims to restore and generate additional revenues with higher profit margins. Recurring revenues will also provide an increase in revenue consistency.

Salaries and benefits decreased by approximately 12% for the nine months ended April 30, 2015, mainly because we have downsized our staff to balance with our current workload, and also have made an effort to reduce the use of outside contractors and rely greater on full time staff. As a result, our consulting costs have also decreased by approximately 28% for the nine months ended April 30, 2015.

Our general and administrative expenses decreased by approximately 24% for the nine months ended April 30, 2015, respectively. This is mainly because of decrease in our rent and decrease in bad debts and other general expenses, offset by an increase in advertising and promotion costs.

In addition, we also incurred a gain on foreign exchange of \$42,126 for the nine months ended April 30, 2015. This is mainly related to unrealized foreign exchange gains on the appreciation of cash and accounts receivable, which are held in US dollars.

### Summary of Quarterly Results:

The following is a summary of the Company's quarterly results for the past two years:

	Three months ended (unaudited)			
	April 30, 2015	January 31, 2015	October 31, 2014	July 31, 2014
Total Revenue	\$ 760,178	\$ 1,003,460	1,185,400	\$ 570,851
Net earnings (loss) for the period	(98,309)	121,021	152,934	(302,806)
Net earnings (loss) per share - basic	0.008	0.004	0.005	(0.01)
Net earnings (loss) per share - diluted	0.008	0.004	0.005	(0.01)

	Three months ended (unaudited)			
	April 30, 2014	January 31, 2014	October 31, 2013	July 31, 2013
Total Revenue	\$ 817,524	\$ 1,276,118	\$ 1,379,454	\$ 1,578,889
Net earnings (loss) for the period	(84,647)	17,440	202,570	214,985
Net earnings (loss) per share - basic	(0.003)	0.001	0.006	0.007
Net earnings (loss) per share - diluted	(0.003)	0.000	0.006	0.007

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### CASH FLOWS

#### For the Nine months ended April 30, 2015 and 2014

During the nine months ended April 30, 2015, cash provided by operating activities was \$177,433 as compared to cash provided by operating activities of \$70,084 during the nine months ended April 30, 2014. The increase in cash provided by operating activities was mainly a result of a timing difference in the completion of our projects, progress billings and collection of our receivables, as well as we received prior year Investment Tax Credits receivable from the Federal and Quebec governments.

During the nine months ended April 30, 2014 the Company received additional term loan proceeds of \$200,000. The repayment of our term loan commenced in January 2015 where we are required to pay monthly principal payments of \$27,778 plus interest.

During the nine months ended April 30, 2015 cash used in investing activities was \$70,467 mainly from expenditures and recoveries incurred for internally generated intangible assets (DigitalReach™, SmartAdvisor™ and Managing Cancer at Work™). The Company also purchased \$1,189 of computer equipment.

### LIQUIDITY AND CAPITAL RESOURCES

Balance Sheet Highlights	April 30, 2015	July 31, 2014
Cash	\$ 1,861,190	\$ 1,624,107
Accounts receivable	909,059	733,129
Income taxes and investment tax credits recoverable	577,373	729,405
Total assets	3,740,411	3,468,504
Total liabilities	1,694,286	1,598,025
Total equity	2,046,125	1,870,479

As of April 30, 2015, the Company had current assets of \$3,395,245 and current liabilities of \$1,674,533, resulting in working capital surplus of \$1,720,712 as compared to July 31, 2014 working capital surplus of \$1,571,572.

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 a maximum of \$1,000,000 or the aggregate of 75% of accounts receivable under 90 days and 40% of work in process and unbilled disbursements (to a maximum of \$500,000). The credit facility is interest-bearing at the CIBC prime rate plus 1.50% per annum. As of April 30, 2015, the Company has \$155,542 in use and \$844,458 available under the line of credit.

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In July 2014 the Company entered into a new term loan with CIBC in the amount of \$800,000 which was increased to \$1,000,000 during the three months ended October 31, 2014. The term loan is interest-bearing at the CIBC prime rate plus 0.25% per annum. Interest only payments are required until January 2015 (6 months), thereafter monthly principal payments of \$27,778 are due until January 2018 (36 months).

The line of credit and term loan are repayable on demand and secured by a general security agreement covering all the assets of the parent and subsidiary corporations. Since the term loan is due on demand, it has been presented as a current liability on the statement of financial position.

Material ongoing contractual obligations of BlueRush relate to the payment of operating leases for office premises. BlueRush leases office space in Toronto, Ontario located at 75 Sherbourne Avenue, Suites 112 and 224, and in Montreal, Quebec located at 1751 Richardson, Suite 5105.

During the nine months ended April 30 2015, the Company's management handled investor relation activities.

### **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 and nine months ended April 30, 2015, 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, 2015 is \$91,596 and \$299,404, respectively (three and nine months ended April 30, 2014 - \$106,731 and \$313,551, respectively) for compensation paid to key management personnel.

### **OFF-BALANCE SHEET ARRANGEMENTS**

There are no significant off-balance sheet arrangements.

### **CRITICAL ACCOUNTING ESTIMATES**

Preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the period. Although these estimates and assumptions are based on management's best knowledge of current events, actual results may be different.

Certain estimates depend on subjective or complex judgmental about matters that may be uncertain and changes in these estimates could materially impact the consolidated financial statements.

The key sources of estimation uncertainty at statement of financial position date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next fiscal period, are discussed below:

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### *Revenue Recognition*

Revenue from contracts is recognized based on the proportion of total project contract costs incurred for work performed at the statement of financial position date compared to the estimated total project contract costs to complete the project. Management is required to make judgmental estimates on the total project contract costs to complete. These judgments will affect the amount of revenue recognized as well as the reported amounts of unbilled revenue and deferred revenue.

### *Allowance for Doubtful Accounts*

Accounts receivable are reviewed for collectability on a monthly basis. Management is required to estimate whether a receivable balance is collectable based on their relationship with the client and knowledge of the client's financial position. These estimates will affect the reported amounts of accounts receivable and bad debts expense.

### *Investment Tax Credits Recoverable*

Investment tax credits are claimed on the Company's research and development activities and are based on a percentage of employee wages. Management is required to make judgments of the amount of investment tax credits that the Company will be able to claim. In order to make this estimate, management utilizes a specialist consultant to prepare the appropriate claim forms. These judgments will affect the reported amounts of investment tax credits recoverable and salaries and wages expense. Management also exercises judgment in determining the recoverability of ITCs recorded as an asset which have not yet been applied to reduce taxes payable.

### *Capitalization of Development Costs*

Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable economic future benefits.

### *Impairment of intangibles*

Intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount or if the intangibles are not yet in use. The recoverable amount is determined with reference to the fair value of the intangibles less costs of disposal or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management exercises significant judgment and assumptions when determining the recoverable amount of intangibles.

### *Stock-Based Compensation*

Stock-based compensation is calculated utilizing the Black-Scholes option pricing model to determine the value of options as of their grant date. Management is required to estimate the volatility of the price of its shares, the amount of future dividends that will be paid, the market's risk-free interest rate, the expected

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life of the options, and the expected forfeiture rate. These estimates will affect the reported amount of stock-based compensation expense and contributed surplus.

## DESCRIPTION OF SECURITIES

### Share Capital

The authorized share capital of BlueRush Media Group Corp. consists of an unlimited number of common shares, of which 32,593,000 common shares are issued and outstanding.

The holders of common shares are entitled to dividends, if, as and when declared by the board of directors, to one vote per common share at meetings of the shareholders and, upon liquidation, to share equally in such assets of BlueRush as are distributable to the holders of common shares. All common shares issued are fully paid and non-assessable.

### Consolidated Capitalization

Designation of Security	Amount Authorized or to be Authorized	# of shares outstanding as of April 30 , 2015	# of shares outstanding as of July 31, 2014
Common Shares	Unlimited	32,593,000	32,593,000

### 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 20% 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 vest over a period not to exceed three years and have an expiry date of five years from date of grant.

Stock-based compensation expense of \$Nil was recorded for the nine months ended April 30, 2015 related to vested stock options granted to directors, officers, employees and consultants of the Company.

During the nine months ended April 30, 2015, the Company did not have any grants or expirations of stock options.

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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, 2015 and changes during the nine months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,170,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	(120,000)	-
Outstanding - end of period	2,050,000	\$ 0.15
Exercisable - end of period	2,050,000	\$ 0.15

The weighted average remaining contractual life of stock options as of April 30, 2015 is 7.03 years (July 31, 2014 - 7.38 years).

The Company had the following stock options outstanding as of April 30, 2015:

Number of Options Outstanding	Exercise Price \$	Expiry Date
2,050,000	0.15	May 10, 2022

### Share Purchase Warrants

During the nine months ended April 30, 2015, the Company did not have any grants, exercises, or expirations of warrants.

The Company had the following warrants outstanding as of April 30, 2015:

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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### **FUTURE ACCOUNTING POLICIES**

There have been no new accounting policy updates since the Company's audited financial statements were filed.

### **Additional Information**

Additional information relating to BlueRush may be found on the Company's website at [www.bluerush.ca](http://www.bluerush.ca) or under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).