

# BLUERUSH MEDIA GROUP CORP.

## MANAGEMENT DISCUSSION AND ANALYSIS

Dated: June 29, 2016

For The Three and Nine Months Ended April 30, 2016

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, 2015 and 2014. 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, 2015 and 2014.

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 29, 2016.

### 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 has deep roots in the FINTECH (Financial Technology industry) providing services and products to leading financial service organizations. The Company has developed a product suite which provides one to one personalization across the entire customer journey. 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 along with a French bilingual office in Montreal, Quebec.

### OVERALL PERFORMANCE

For the nine months ended April 30, 2016, BlueRush billed revenues of approximately \$3.15 million and recognized \$2,714,963 of revenue resulting in a loss of \$134,106. This compares to revenues of \$2,949,038 and net earnings of \$175,646 for the nine months ending April 30, 2015. Although our revenues have decreased over nine months, it should be noted that a significant portion of our billings were deferred and will be recognized in the upcoming quarters. Due to the nature of our business, the timing in the completion of projects will differ each quarter depending on the types of projects we are engaged in.

The Company is in the process of transitioning from a services only company to a product and services company. Over the course of the quarter resources were focused and actively engaged in the completion of its new product, the regulatory version of DigitalReach™, in conjunction with its partner. The Point of Sale Stage 3 ("POS3") regulatory deadline for pre-sale delivery of disclosure documents to mutual fund investors was May 30<sup>th</sup>, 2016. On that day, dealers and advisors will have to send investors Fund Facts disclosure documents before the investor decides to buy a fund. Our solution is an automated delivery system that allows investment professionals to access and deliver relevant documents to investors for marketing and sales campaigns, compliance, and regulatory communications. Most of Canada's major financial brokerage firms have adopted this solution through our partner. Therefore BlueRush was required to meet the regulatory deadline for POS3 of May 30<sup>th</sup>, 2016, which was met and successfully launched by our partner. The launch of this product has been a key objective of the plan to transition to a product-based company in addition to services. The net result will be a higher and growing proportion of recurring product revenues with potential for broad application beyond financial services sector.

During the three months ended April 30, 2016, the Company continued enhancements to the marketing side of DigitalReach for its major bank and financial clients. All combined BlueRush now has more than 25,000 financial advisors making use of the DigitalReach platform. This will represent hundreds of thousands of campaigns sent over the course of each year and growing. Also during the quarter the Company continued work on service related projects including tools, calculators, websites and videos. The Company also launched another IndiVideo™ project for a major financial service dealer. The Company is working on integrating DigitalReach with IndiVideo enabling advisors in the future to send and personalize content all through the same platform. On the healthcare side, the MCaW or Managing Cancer at Work™ program, a strategic partnership of Johns Hopkins and BlueRush has attracted the interest of major US insurance firms looking to implement the program as part of its sales strategy for related insurance products.

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### OVERALL PERFORMANCE (Continued)

Sales and marketing activities within BlueRush accelerated over the three months ended April 30, 2016. We have added resources in Quebec and Toronto to ensure sufficient exposure of our new product offerings. We have significantly increased our presence in social media and blogging and we are active in industry related conferences targeting potential clients for our new product launches. These activities together with our use of HUBSPOT, our marketing automation platform, we are generating several inquiries and leads from organizations in North America and abroad. While there is a lag between increasing sales activities and results, we are confident that the Company's new products will gain traction and achieve an increase in revenue and profitability.

In summary, the results reflect the necessary steps to transition to a higher and growing proportion of recurring product-based revenues as a complement to service based revenues. Management expects this will have a positive influence on future profitability and cash flows as our products gain traction in the market.

### RESULTS OF OPERATIONS

Certain financial information for the Company as of April 30, 2016 and July 31, 2015 and for the three and nine months ended April 30, 2016 is provided below:

	<b>April 30, 2016</b>		<b>July 31, 2015</b>
	<b>(Unaudited)</b>		<b>(Audited)</b>
Total Assets	\$ 4,155,187	\$	4,321,587
Total Financial Liabilities	1,436,921		1,522,255
Deferred Revenue	436,353		347,575
Deferred Taxes	40,239		75,977
Shareholders' Equity	2,241,674		2,375,780

	<b>Nine Months Ended</b>	
	<b>April 30,</b>	<b>April 30,</b>
	<b>2016</b>	<b>2015</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue from Operations	\$ 2,714,963	\$ 2,949,038
Net (loss) earnings	(134,106)	175,646
per share - basic	(0.004)	0.005
per share - diluted	(0.004)	0.005

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### RESULTS OF OPERATIONS (Continued)

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

For the three months ended April 30, 2016, BlueRush recorded revenues of \$737,320 and aggregate expenses of \$1,067,313. The Company realized net loss of \$268,698 or \$0.008 per share. This compares with revenues of \$760,178 and net loss of \$98,309 or \$0.003 per share for the three months ended April 30, 2015.

We incurred an overall decrease in revenue since the prior quarter, which excludes deferred revenue of \$436,353 which is revenue billed on incomplete projects at year-end. Our overall revenues decreased due to financial clients curbing expenditures, as well as the timing of completion of projects ongoing as of April 30. These new billings will be recognized as revenue in upcoming quarters when they are completed.

We expect that our licensing revenues will continue to increase as our new products gain more traction in the market. Each quarter we have experienced more interest from our current and potential clients. Sales efforts in our traditional services area are now focused on those clients that will generate a projected minimum amount of business that achieve a specified target margin.

The Company's expenditures increased this quarter compared to the prior quarter by approximately 23%. The main reason for the increase was in sales and marketing and related expenses of approximately \$60,000 where we continue to implement our sales and marketing plan for 2016. We also incurred bad debts expense of \$54,000 with one of our clients. Our salaries and benefits expense decreased in an effort to reduce overall costs. Our consulting costs increased as we required additional outside consultants to help assist with specific implementation of our new products.

The Company has also applied for new Ontario Interactive digital media tax credits for the fiscal 2012, 2013 and 2014 years, which amount to \$37,534, \$90,206 and \$110,060, respectively. As well we have applied for Quebec tax credits for the 2014 fiscal year in the amount of \$127,550. Since the Company has no history of receiving these claims they will not be recognized until they have been approved by the Canada Revenue Agency. The Company is currently in the process of filing claims under these programs for the 2015 fiscal year.

### 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, 2016	January 31, 2016	October 31, 2015	July 31, 2015
Total Revenue	\$ 737,320	988,339	\$ 989,304	\$ 976,324
Net earnings (loss) for the period	(268,698)	87,003	47,588	329,655
Net earnings (loss) per share - basic	(0.008)	0.003	0.001	0.01
Net earnings (loss) per share - diluted	(0.008)	0.003	0.001	0.01

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### RESULTS OF OPERATIONS (Continued)

#### Summary of Quarterly Results (Continued)

	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	(0.003)	0.004	0.005	(0.01)
Net earnings (loss) per share - diluted	(0.003)	0.004	0.005	(0.01)

### CASH FLOWS

#### Nine Months Ended April 30, 2016 and 2015

During the nine months ended April 30, 2016, the Company generated \$212,606 in net cash from its operating activities as compared to \$177,433 during the nine months ended April 30, 2015. The increase in cash from operating activities was mainly because of our increase in billings and collections since the prior quarter, which a significant portion has been reflected as deferred revenue. We also collected approximately \$50,000 and \$182,000 of investment tax credits during the three and nine months ended April 30, 2016, respectively.

During the nine months ended April 30, 2016, net cash provided by financing activities was \$Nil as compared to net cash provided by financing activities of \$200,000 in the prior quarter. No new financing was received this quarter, where we received \$200,000 additional term loan in the prior quarter.

During the nine months ended April 30, 2016 net cash used in investing activities was \$287,742, mainly from net expenditures and recoveries incurred for internally generated intangible assets (SmartAdvisor and Individeo). The Company also purchased \$8,017 of computer equipment compared to purchases of \$1,189 in the prior quarter.

For the nine months ended April 30, 2016 the Company had an overall net decrease in cash of \$107,383, which was mainly related to costs incurred on the development of internally generated intangible assets.

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### LIQUIDITY AND CAPITAL RESOURCES

<b>Balance Sheet Highlights</b>	<b>April 30, 2016</b>	<b>July 31, 2015</b>
Cash	\$ 2,014,167	\$ 2,121,550
Accounts receivable	695,867	860,105
Income taxes and investment tax credits recoverable	703,440	885,040
Total assets	4,155,187	4,321,587
Total liabilities	1,913,513	1,945,807
Total equity	2,241,674	2,375,780

As at April 30, 2016, the Company had current assets of \$3,000,921 and current liabilities of \$672,642, resulting in a working capital surplus of \$2,328,279 as compared to working capital of \$2,749,921 as at July 31, 2015. The Company's cash position continues to be strong and the Company's cash and current assets would be sufficient to meet the Company's current financial obligations.

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.

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).

The Company intends to use the proceeds of the above terms loans to fund its marketing and sales force for its new products and to also fund new developments in current and future products.

BlueRush also has available a revolving line of credit in the form of an overdraft on its chequing account with CIBC 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, 2016, the Company has \$Nil in use and \$972,595 available under the line of credit.

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, Suite 112, and in Montreal, Quebec located at 1751 Richardson, Suite 5105. Lease commitments are outlined in BlueRush's financial statements.

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### LIQUIDITY AND CAPITAL RESOURCES (Continued)

The Company's capital expenditures have historically been low and there are no significant capital expenditures planned within the next fiscal year, other than for further development of internally generated intangible assets and general purchases of computer equipment and furniture.

During the nine months ended April 30, 2016, 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 nine months ended April 30, 2016, 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, 2016 is \$123,378 and \$331,879, respectively (three and nine months ended April 30, 2015 - \$91,956 and \$299,404, 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 judgments about matters that may be uncertain and changes in these estimates could materially impact the 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 and liabilities within the next fiscal year, are discussed below:

#### *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.

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### CRITICAL ACCOUNTING ESTIMATES (Continued)

#### *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 has not yet been applied to reduce taxes payable and in determining the portion that the Company expects will be realized within one year of the statement of financial position date.

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

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### 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

<b>Designation of Security</b>	<b>Amount Authorized or to be Authorized</b>	<b># of shares outstanding as of April 30, 2016</b>	<b># of shares outstanding as of July 31, 2015</b>
Common Shares	Unlimited	32,593,000	32,593,000

#### Stock Option Plan

The Company grants stock options to eligible directors, officers, key employees and consultants under its stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares which may be issued pursuant to the exercise of options granted under the plan may not exceed 20% of the number of common shares outstanding at the time of grant.

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding ten years. Options vest according to the contract terms which range over a period of two to three years.

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### DESCRIPTION OF SECURITIES (Continued)

#### Stock Option Plan (Continued)

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, 2016 and changes during the nine months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,050,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
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, 2016 is 6.03 years (July 31, 2015 – 6.78 years).

The Company had the following stock options outstanding as of April 30, 2016:

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, 2016, the Company did not have any grants, exercises, or expirations of warrants. No warrants are outstanding as of April 30, 2016.

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### FUTURE ACCOUNTING POLICIES

The following are IFRS changes that have been issued by the IASB, which may affect the Company, but are not yet effective:

#### *IFRS 16, Leases (“IFRS 16”)*

IFRS 16 was issued in January 2016, and replaces IAS 17, Leases. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Certain leases will be exempt from these requirements. The most significant effect expected of the new requirements will be an increase in lease assets and financial liabilities for lessees with material off-balance sheet leases. Lessor accounting requirements under IFRS 16 are carried forward from IAS 17 and accordingly, leases will continue to be classified and accounted for as operating or finance leases by lessors. IFRS 16 is required for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company is in the process of assessing the impact that this new standard will have on its consolidated financial statements.

#### **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).