

BLUERUSH MEDIA GROUP CORP.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2012 AND 2011**

BLUERUSH MEDIA GROUP CORP.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2012 AND 2011

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NOTICE TO READER

Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements of BlueRush Media Group Corp. as at and for the six months ended January 31, 2012 and 2011 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to interim financial statements (see note 2 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditors' Involvement

Collins Barrow Toronto LLP, Chartered Accountants, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of interim financial statements as at and for the six months ended January 31, 2012 and 2011 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

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

	Note	January 31, 2012 (Unaudited)	July 31, 2011 (Audited)
ASSETS			
Current Assets			
Cash		\$ 972,407	\$ 697,394
Accounts receivable		1,075,574	1,489,953
Prepaid expenses		22,727	14,671
Income taxes and investment tax credits recoverable		87,977	105,651
Advances to related party	3	2,783	2,783
Unbilled revenue		-	58,865
Work in process		148,000	33,152
		2,309,468	2,402,469
Long Term Assets			
Equipment	4	48,766	55,122
		\$ 2,358,234	\$ 2,457,591
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 215,107	\$ 360,595
Deferred revenue		110,500	155,020
		325,607	515,615
Commitments			
	6		
Equity			
Share capital	7	735,683	735,683
Contributed surplus	7	116,513	107,637
Retained earnings		1,180,431	1,098,656
		2,032,627	1,941,976
		\$ 2,358,234	\$ 2,457,591

Approved on Behalf of the Board

(Signed) - "Larry Lubin", Director

(Signed) - "Len Smofsky", Director

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

BLUERUSH MEDIA GROUP CORP.
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND
COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIODS ENDED
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

	Note	January 31, 2012	January 31, 2011
REVENUE		\$ 1,126,247	\$ 1,348,162
EXPENSES			
Salaries and benefits		541,399	561,266
General and administrative		404,334	117,006
Production costs		62,180	117,006
Consulting fees		57,848	183,726
Professional fees		18,554	8,361
Stock-based compensation	8	1,438	6,362
Amortization		3,076	3,853
		1,088,829	997,580
EARNINGS BEFORE TAXES		37,418	350,582
Income taxes		10,410	60,123
NET (LOSS) EARNINGS AND COMPREHENSIVE (LOSS) INCOME		27,008	148,772
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.001	\$ 0.005
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,318,000	32,318,000
(LOSS) EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.001	\$ 0.005
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		33,639,667	32,318,000

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

BLUERUSH MEDIA GROUP CORP.
INTERIM CONSOLIDATED STATEMENTS OF EARNINGS AND
COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIODS ENDED
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

	Note	January 31, 2012	January 31, 2011
REVENUE		\$ 2,436,878	\$ 2,398,363
EXPENSES			
Salaries and benefits		1,146,949	1,018,639
General and administrative		555,848	365,245
Consulting fees		384,238	354,778
Production costs		194,186	223,163
Professional fees		26,054	13,675
Stock-based compensation	8	8,876	13,327
Amortization		6,356	7,590
		2,322,507	1,996,417
EARNINGS BEFORE TAXES		114,371	401,946
Income taxes		32,596	132,378
NET EARNINGS AND COMPREHENSIVE INCOME		81,775	269,568
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.003	\$ 0.008
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,318,000	32,318,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.002	\$ 0.008
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		33,591,689	32,318,000

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

BLUERUSH MEDIA GROUP CORP.
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance at July 31, 2010	32,318,000	\$ 735,683	\$ 89,059	\$ 484,165	\$ 1,308,907
Net earnings	-	-	-	269,568	269,568
Stock-based compensation	-	-	13,327	-	13,327
Balance at January 31, 2011	32,318,000	\$ 735,683	\$ 102,386	\$ 753,733	\$ 1,591,802
Balance at July 31, 2011	32,318,000	\$ 735,683	\$ 107,637	\$ 1,098,656	\$ 1,941,976
Net earnings	-	-	-	81,775	81,775
Stock-based compensation	-	-	8,876	-	8,876
Balance at January 31, 2012	32,318,000	\$ 735,683	\$ 116,513	\$ 1,180,431	\$ 2,032,627

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

BLUERUSH MEDIA GROUP CORP.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

	January 31, 2012	January 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 81,775	\$ 269,568
Items not requiring an outlay of cash:		
Amortization	6,356	7,590
Stock-based compensation	8,876	13,327
Changes in non-cash working capital:		
Accounts receivable	414,379	346,286
Prepaid expenses	(8,056)	(9,392)
Work in process	(114,848)	13,079
Unbilled revenue	58,865	-
Income taxes and investment tax credits recoverable	17,674	201,911
Accounts payable and accrued liabilities	(145,488)	(152,101)
Deferred revenue	(44,520)	(21,470)
	275,013	668,798
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(11,651)
NET INCREASE IN CASH	275,013	657,147
CASH, BEGINNING OF PERIOD	697,394	284,752
CASH, END OF PERIOD	\$ 972,407	\$ 941,899

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

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

1. 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. BlueRush is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This is the Company's first year preparing its consolidated financial statements under IFRS and as such these interim consolidated financial statements have been prepared in accordance with IFRS 1: *First-time Adoption of International Financial Reporting Standards*. These interim consolidated financial statements have also been prepared in accordance with IAS 34: *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

Prior to the adoption of IFRS, the Company's consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). An explanation of how the transition from Canadian GAAP to IFRS as has affected the reported financial position and financial performance of the Company is provided in note 10.

The Company has adopted IFRS with a transition date of August 1, 2010. In accordance with IFRS 1: *First- Time Adoption of IFRS*, the Company has applied these accounting standards retrospectively at the transition date and allows certain exemptions on the transition to IFRS. The Company applied the same accounting policies throughout all periods presented.

These interim consolidated financial statements were approved for issue by the Board of Directors on April 2, 2012.

Basis of Consolidation

These interim 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.

Stock-Based Compensation

The Company operates an stock options plan as part of its compensatoin of directors, officers, employees, or consultants. Stock-based compensation is recorded as an expense and a charge to contributed surplus for all stock options. The amount of compensation expense reflects the fair value of stock options granted, as calculated under the Black-Scholes option pricing model. Any consideration received on the exercise of stock options is credited to share capital.

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 in time.

Revenue is recognized based on contract milestones, whereby there could be differences between the timing of billings and the amount of work completed at a point in time. Work performed on contracts where the contract milestones have not been met are recognized as work in process or unbilled accounts receivable. Billings which exceed the amount of work performed at a point in time are recognized as deferred revenue.

Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. This method assumes that any proceeds received from in-the-money options and warrants would be used to buy common shares at the average market price for the period.

Equipment

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

Computer equipment	30% declining balance
Furniture and fixtures	20% declining balance

Impairment of Long-Lived Assets

Long-lived assets are comprised of 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 THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited - Prepared by Management)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Research and Development Costs

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless a development project meets generally accepted criteria for deferral and amortization. Research and development costs are comprised of wages and benefits. No development costs have been deferred as of January 31, 2012 and July 31, 2011.

Investment Tax Credits

As estimate of the refundable investment tax credit on scientific research and development expenditures is recorded in the year the expenditures are incurred provided there is reasonable assurance that the credits will be realized. The expenditures are reduced by the amount of the estimated investment tax credit.

Income Taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income (loss) in the year in which those temporary differences are expected to be recovered or settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net future tax asset is recognized.

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments

The Company has classified its financial instruments as follows:

Instruments	Classification	Measurement Basis
Cash	Held for trading	Fair value
Accounts receivable, income taxes and investment tax credits receivable, advances from related party	Loans and receivables	Amortized cost
Accounts payable	Other liabilities	Amortized cost

Financial assets and liabilities classified as held for trading are measured at their fair value as at each reporting date with changes in fair value included as a component of net income.

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

Financial Instruments - Fair Value Hierarchy

The Company has a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Company's investments. The hierarchy of inputs is summarized below:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis (the Company has included cash under this category);

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability; and

Level 3 - inputs for the asset or liability that are not based on observable market data.

The classification of a financial instrument in the fair value hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income. The Company does not currently have any other comprehensive income and accordingly net income equals comprehensive income.

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates

Preparation of consolidated financial statements in conformity with IAS 34 requires management to make judgements, 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 judgements about matters that may be uncertain and changes in these estimates could materially impact the financial statements.

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

Revenue Recognition

Revenue is recognized based on contract milestones, whereby there could be differences between the timing of billings and the amount of work completed at a point in time. Management is required to make judgement whether a contract milestone has been completed when compared to the amount of work performed at a point in time. These judgements will affect the amount of revenue recognized as well as the reported amounts of work in process, unbilled accounts receivable, and deferred revenue.

Allowance for Doubtful Accounts

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

Amount of Investment Tax Credits

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 judgement of the amount of investment tax credits that the Company will be able to claim. In order to make this judgement, management utilizes a specialist consultant to prepare the appropriate claim forms. These judgements will affect the reported amounts of investment tax credits recoverable and salaries and wages expense.

BLUERUSH MEDIA GROUP CORP.
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates (Continued)

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 make estimates of the volatility and amount of future dividends on the underlying shares, and the market's risk-free interest rate. These estimates will affect the reported amount of stock-based compensation and contributed surplus.

Recent Accounting Pronouncements

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

IAS 12, Income taxes, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying value of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The Company is assessing the effect of the changes to IAS 12 on its financial results and financial position.

IAS 28, Investments in Associates and Joint Ventures, was amended in 2011 and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IAS 28 on its financial results and financial position.

IFRS 9, Financial Instruments, was issued in November 2009 and is the first step to replace current IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is assessing the effect of IFRS 9 on its financial results and financial position.

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

IFRS 10, Consolidated Financial Statements, establishes principles for the presentation and preparation of interim financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities, and is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 10 on its financial results and financial position.

IFRS 12, Disclosure of Interests in Other Entities, applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 12 on its interim financial statement disclosures.

IFRS 13, Fair Value Measurements, defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The Company is assessing the effect of the changes to IFRS 13 on its financial results and financial position.

3. ADVANCES TO (FROM) RELATED PARTY

Amount is due to an officer and director of the Company and is non-interest bearing, unsecured, and due on demand.

4. EQUIPMENT

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

	Cost	Accumulated Amortization	Net Januar 31, 2012
Computer equipment	\$ 56,065	\$ 38,148	\$ 17,917
Furniture and fixtures	69,681	38,832	30,849
	\$ 125,746	\$ 76,980	\$ 48,766

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
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(Presented in Canadian Dollars)

4. EQUIPMENT (Continued)

As of July 31, 2011:

	Cost	Accumulated Amortization	Net July 31, 2011
Computer equipment	\$ 56,065	\$ 35,125	\$ 20,940
Furniture and fixtures	69,681	35,499	34,182
	\$ 125,746	\$ 70,624	\$ 55,122

5. BANK INDEBTEDNESS

The Company has available a \$500,000 revolving line of credit from the Canadian Imperial Bank of Commerce ("CIBC") for the purpose of meeting daily cash flow requirements. The line of credit is 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 January 31, 2012, the Company does not have a balance outstanding under the line of credit.

6. COMMITMENTS

The Company has the following lease commitments for premises:

2012	\$ 79,737
2013	155,844
2014	155,844
2015	12,987
	\$ 404,412

7. SHARE CAPITAL

Stock Option Plan

Stock-based compensation expense of \$8,876 was recorded for the six months ended January 31, 2012 relating to vested stock options granted to directors, officers, employees and consultants of the Company (note 8).

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

7. SHARE CAPITAL (Continued)

Stock Option Plan (Continued)

A summary of the status of the Company's stock options as at January 31, 2012 and changes during the six month period then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, at beginning of period	1,475,000	\$ 0.10
Granted	150,000	0.10
Exercised	-	-
Forfeited/cancelled/expired	(70,000)	0.10
Outstanding, at end of period	1,555,000	0.10
Exercisable, at end of period	1,321,667	\$ 0.10

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

Number of Options Outstanding	Exercise Price \$	Expiry Date
150,000 (i)	0.10	October 14, 2012
350,000	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
250,000	0.10	March 11, 2015
1,555,000		

(i) On October 13, 2011, the Company issued 150,000 stock options to a director for past services rendered. The options vested immediately, have a life of 1 year, and have an exercise price of \$0.10.

In the computation of diluted earnings per share, during the periods ended January 31, 2012 and 2011, the effect of these options were only included for the periods of time where the exercise price was less than the market value of the shares.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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8. STOCK-BASED COMPENSATION

During the six month period ended January 31, 2012, stock-based compensation for options and warrants was \$8,876, which was credited to contributed surplus. During the quarter ended January 31, 2012, the Company granted 150,000 options and did not issue any warrants.

The weighted average fair value of the options granted in the six months ended January 31, 2012 was estimated at \$0.06 by using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012
Risk-free interest rate	1%
Dividend yield	0%
Volatility	115%
Expected life	1 year

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.

9. 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.

Related party transactions were as follows:

- a) During the six months ended January 31, 2012, the Company granted 150,000 options (2010 - Nil options) to its directors, as described in note 7.
- b) Included in salaries and wages expense is an amount of \$172,692 (2010 - \$162,462) for compensation paid to key management personnel for the period ended January 31, 2012.

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
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10. TRANSITION TO IFRS

Elections under IFRS I

As stated in note 3, these are the Company's first interim consolidated financial statements prepared in accordance with IFRS. In accordance with IFRS 1, the Company applied IFRS retrospectively at the transition date of August 1, 2010, and is allowed to elect out of applying certain standards upon its transition to IFRS. The Company has not made any elections with respect to IFRS standards.

Stock-Based Compensation

The Company issues stock options under its employee stock option plan, which have graded vesting periods and are exercisable up to five years from the date of grant.

Under Canadian GAAP, the fair value of stock-based awards with graded vesting was calculated as one grant of options at the time of the grant, and the resulting fair value was recognized on a straight-line basis over the vesting period for the entire grant. Under IFRS, each tranche of an award with graded vesting period is considered a separate grant and the resulting fair value is amortized over the vesting period for that tranche.

In order to be compliant with IFRS 6, the Company has changed one aspect of its accounting policies with regards to stock-based compensation expense. This change in policy does not affect the total amount of stock-based compensation to be recognized for each grant of options, however it does affect the amortization method for these grants. In effect, a greater amount of stock-based compensation will be recognized in earlier periods, with a lesser amount being recognized in later periods.

At the end of each reporting period, the Company re-assesses its estimate of the number of awards that are expected to vest and recognizes the impact of the revisions within stock-based compensation expenses through profit or loss.

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(Presented in Canadian Dollars)

10. TRANSITION TO IFRS (Continued)

Consolidated Statements of Financial Position

	As of July 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS
ASSETS			
Current Assets			
Cash	\$ 697,394	\$ -	\$ 697,394
Accounts receivable	1,489,953	-	1,489,953
Prepaid expenses	14,671	-	14,671
Income taxes and investment tax credits recoverable	105,651	-	105,651
Advances to related party	2,783	-	2,783
Unbilled revenue	58,865	-	58,865
Work in process	33,152	-	33,152
	2,402,469	-	2,402,469
Long Term Asset			
Equipment	55,122	-	55,122
	\$ 2,457,591	\$ -	\$ 2,457,591
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 360,595	\$ -	\$ 360,595
Deferred revenue	155,020	-	155,020
	515,615	-	515,615
Equity			
Share capital	735,683	-	735,683
Contributed surplus	127,685	(20,048)	107,637
Retained earnings	1,078,608	20,048	1,098,656
	1,941,976	-	1,941,976
	\$ 2,457,591	\$ -	\$ 2,457,591

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIODS ENDED JANUARY 31, 2012 AND 2011
(Unaudited - Prepared by Management)
(Presented in Canadian Dollars)

10. TRANSITION TO IFRS (Continued)

Consolidated Statements of Earnings and Comprehensive Income

	Three Months Ended January 31, 2011			Six Months Ended January 31, 2011		
	Canadian GAAP	Effect of Transition to IFRS	IFRS	Canadian GAAP	Effects of Transition to IFRS	IFRS
REVENUE	\$ 1,348,162	\$ -	\$ 1,348,162	\$ 2,398,363	\$ -	\$ 2,398,363
EXPENSES						
Salaries and benefits	561,266	-	561,266	1,018,639	-	1,018,639
General and administrative	246,561	-	246,561	365,245	-	365,245
Consulting fees	183,726	-	183,726	354,778	-	354,778
Production costs	117,006	-	117,006	223,163	-	223,163
Stock-based compensation	8,434	(2,072)	6,362	16,868	(3,541)	13,327
Professional fees	8,361	-	8,361	13,675	-	13,675
Amortization	3,853	-	3,853	7,590	-	7,590
	1,129,207	(2,072)	1,127,135	1,999,958	(3,541)	1,996,417
NET EARNINGS BEFORE TAXES	218,955	2,072	221,027	398,405	3,541	401,946
Income taxes	72,255	-	72,255	132,378	-	132,378
NET EARNINGS AND COMPREHENSIVE INCOME	\$ 146,700	\$ 2,072	\$ 148,772	\$ 266,027	\$ 3,541	\$ 269,568

Consolidated Statements of Cash Flows

The transition to IFRS did not have an impact on the cash flows of the Company.