

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JANUARY 31, 2018 and 2017
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 and 2017

CONTENTS

(Unaudited)

	Page
NOTICE TO READER	1
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS	
Condensed Consolidated Interim Statements of Financial Position	2
Condensed Consolidated Interim Statements of Comprehensive Loss	3
Condensed Consolidated Interim Statements of Changes in Equity	5
Condensed Consolidated Interim Statements of Cash Flows	6
Notes to the Condensed Consolidated Interim Financial Statements	7 - 20

BLUERUSH MEDIA GROUP CORP.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Media Group Corp. (the "Company") as at and for the six months ended January 31, 2018 and 2017 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to the financial statements (see note 2 to the financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

RSM Canada (formerly Collins Barrow Toronto LLP), the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the six months ended January 31, 2018 and 2017 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF (Presented in Canadian Dollars)

	Note	January 31, 2018 (Unaudited)	July 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash		\$ 1,715,737	\$ 1,005,383
Accounts receivable		448,987	632,697
Prepays and other assets		33,947	28,025
Investment tax credits refundable		227,896	227,896
Unbilled revenue	3	4,220	30,685
Work in process	3	-	5,984
Total Current Assets		2,430,787	1,930,670
Long Term Assets			
Equipment	4	32,082	29,929
Intangibles	5	461,000	535,278
Total Long Term Assets		493,082	565,207
Total Assets		\$ 2,923,869	\$ 2,495,877
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 724,588	\$ 591,928
Deferred revenue	3	277,436	164,248
Term loans - current portion	7	134,922	268,584
Total Current Liabilities		1,136,946	1,024,760
Long Term Liabilities			
Term loans	7	791,910	788,400
Deferred taxes		125,913	125,913
Total Long Term Liabilities		917,823	914,313
Commitments	8		
Equity			
Share capital	9	1,460,299	774,883
Contributed surplus	9	1,036,731	336,551
Deficit		(1,627,930)	(554,630)
Total Equity		869,100	556,804
Total Liabilities and Equity		\$ 2,923,869	\$ 2,495,877
Approved on Behalf of the Board			
(Signed) - "Larry Lubin", Director		(Signed) - "John Eckert", Director	

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

FOR THE THREE MONTHS ENDED JANUARY 31, 2018 and 2017

(Presented in Canadian Dollars)

(Unaudited)

	Note	2018	2017
REVENUE			
Subscriptions and support		\$ 247,987	\$ 273,759
Services		587,903	541,534
Interest		3,917	1,212
		839,807	816,505
COST OF GOODS SOLD			
Subscriptions and support	10	71,677	159,922
Services	10	323,206	325,686
		394,883	485,608
GROSS PROFIT		444,924	330,897
EXPENSES			
Research and development	10	427,684	272,711
General and administrative	10	362,510	259,002
Sales and marketing	10	238,905	158,559
Stock based compensation		131,159	-
Interest and bank charges		19,866	22,138
Amortization of intangible assets		37,139	31,573
Amortization of equipment		2,213	2,479
Total Expenses		1,219,476	746,462
LOSS BEFORE TAXES		(774,552)	(415,565)
Current income taxes		-	-
Deferred income taxes (recovery)		-	(18,435)
Total Income Taxes		-	(18,435)
NET LOSS AND COMPREHENSIVE LOSS		\$ (774,552)	\$ (397,130)
LOSS PER WEIGHTED NUMBER OF SHARES			
OUTSTANDING - BASIC			
		\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES			
OUTSTANDING - BASIC			
		57,037,433	32,593,000
LOSS PER WEIGHTED NUMBER OF SHARES			
OUTSTANDING - DILUTED			
		\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES			
OUTSTANDING - DILUTED			
		57,037,433	32,593,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 and 2017

(Presented in Canadian Dollars)

(Unaudited)

	Note	2018	2017
REVENUE			
Subscriptions and support		\$ 527,105	\$ 500,026
Services		1,013,168	1,284,621
Interest		6,324	3,726
		1,546,597	1,788,373
COST OF SALES			
Subscriptions and support	10	158,233	304,932
Services	10	535,644	608,558
		693,877	913,490
GROSS PROFIT		852,720	874,883
EXPENSES			
Research and development	10	689,006	511,815
General and administrative	10	624,783	471,435
Sales and marketing	10	362,349	295,580
Stock based compensation		131,159	-
Interest and bank charges		40,233	43,053
Amortization of intangible assets		74,278	46,270
Amortization of equipment		4,212	5,062
Total Expenses		1,926,020	1,373,215
LOSS BEFORE TAXES		(1,073,300)	(498,332)
Deferred income taxes		-	(32,358)
Total Income Taxes		-	(32,358)
NET LOSS AND COMPREHENSIVE LOSS		\$ (1,073,300)	\$ (465,974)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC			
		\$ (0.02)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC			
		46,484,918	32,593,000
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED			
		\$ (0.02)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED			
		46,484,918	32,593,000

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 SIX MONTHS ENDED JANUARY 31, 2018 and 2017

(Presented in Canadian Dollars)

(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance - August 1, 2016		32,593,000	\$ 774,883	\$ 336,551	\$ 1,082,043	\$ 2,193,477
Net loss		-	-	-	(465,974)	(465,974)
Balance - January 31, 2017		32,593,000	\$ 774,883	\$ 336,551	\$ 616,069	\$ 1,727,503
Balance - August 1, 2017		32,593,000	774,883	336,551	(554,630)	556,804
Net loss		-	-	-	(1,073,300)	(1,073,300)
Issuance of common shares, net of transaction costs	9	24,444,433	1,254,437	-	-	1,254,437
Warrants issued	9	-	(569,021)	569,021	-	-
Stock-based compensation	9	-	-	131,159	-	131,159
Balance - January 31, 2018		57,037,433	\$ 1,460,299	\$ 1,036,731	\$ (1,627,930)	\$ 869,100

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 and 2017

(Presented in Canadian Dollars)
(Unaudited)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,073,300)	\$ (465,974)
Items not requiring an outlay of cash:		
Amortization of equipment	4,212	5,062
Amortization of intangibles	74,278	46,270
Stock based compensation	131,159	-
Unrealized loss on foreign exchange	9,393	6,672
Term loan transaction cost accretion	3,511	3,311
Deferred income taxes	-	(32,358)
Changes in non-cash working capital:		
Accounts receivable	183,835	269,088
Prepays and other assets	(5,922)	(10,374)
Work in process	5,984	-
Unbilled revenue	26,465	(3,764)
Investment tax credits refundable	-	172,740
Accounts payable and accrued liabilities	132,659	(166,967)
Deferred revenue	113,188	(41,187)
NET CASH USED IN OPERATING ACTIVITIES	(394,538)	(217,481)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of transaction costs	1,254,437	-
Proceeds from term loan, net of transaction costs	-	98,000
Repayment of term loans	(133,663)	(124,963)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	1,120,774	(26,963)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangible assets	-	(111,318)
Purchase of equipment	(6,364)	(3,323)
NET CASH USED IN INVESTING ACTIVITIES	(6,364)	(114,641)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(9,518)	(5,906)
NET INCREASE (DECREASE) IN CASH	710,354	(364,991)
CASH, BEGINNING OF PERIOD	1,005,383	2,068,136
CASH, END OF PERIOD	\$ 1,715,737	\$ 1,703,145
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 36,722	\$ 39,743
Income taxes paid	\$ -	\$ -

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

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

I. NATURE OF BUSINESS

BlueRush Media Group Corp. ("BlueRush" or the "Company"), through its wholly owned subsidiary, BlueRush Digital Media Corp., offers a SaaS-based marketing and sales enablement platform that enables organizations to achieve greater engagement with their customers. The Company was incorporated on April 6, 2004 in the Province of Ontario. The Company 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").

These financial statements should be read in conjunction with the Company's 2018 annual financial statements.

These financial statements were authorized by the Board of Directors on April 2, 2018.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value.

Functional and Presentation Currency

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

Basis of Consolidation

These 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.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

3. CONTRACT COSTS AND REVENUES

	Six months ended January 31, 2018	Six months ended January 31, 2017
Costs incurred on contracts in progress	\$ 64,948	\$ 363,165
Profits recognized on contracts in progress	40,586	320,076
Progress billings	(378,750)	(821,789)
	(273,216)	(138,548)
Presented as:		
Work in process	-	-
Unbilled revenue	4,220	23,277
Deferred revenue	\$ (277,436)	\$ (161,825)

4. EQUIPMENT

The components of equipment are as follows as of January 31, 2018:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	\$ 69,681	\$ 112,493	\$ 182,174
Additions	-	6,366	6,366
Disposals	-	-	-
Closing balance - January 31, 2018	\$ 69,681	\$ 118,859	\$ 188,540

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	\$ 59,878	\$ 92,367	\$ 152,245
Amortization	956	3,257	4,213
Closing balance - January 31, 2018	\$ 60,834	\$ 95,624	\$ 156,458

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

4. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2017	\$ 9,803	\$ 20,126	\$ 29,929
Balance - January 31, 2018	\$ 8,847	\$ 23,235	\$ 32,082

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of January 31, 2018:

Cost	
Opening balance - August 1, 2017	\$ 713,857
Additions	-
Recoveries of expenditures	-
Disposals	-
Closing balance - January 31, 2018	\$ 713,857
Accumulated Amortization	
Opening balance - August 1, 2017	\$ 178,579
Amortization	74,278
Closing balance - January 31, 2018	\$ 252,857
Carrying Value	
Balance - August 1, 2017	\$ 535,278
Balance - January 31, 2018	\$ 461,000

All internally developed intangible assets were available for use as of January 31, 2018.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	January 31, 2018	July 31, 2017
Trade accounts payable	\$ 83,115	\$ 64,291
Accrued liabilities	158,400	132,008
Accrued vacation pay and other employee benefits	157,131	132,645
Government remittances payable	60,374	52,984
Customer deposits	112,800	210,000
Prepaid subscription and hosting fees	152,768	-
	\$ 724,588	\$ 591,928

7. TERM LOANS

	January 31, 2018	July 31, 2017
Investissement Quebec (i)	\$ 683,327	\$ 983,333
Business Development Bank of Canada (ii)	261,860	245,440
Transaction costs	(18,355)	(26,487)
	926,832	1,202,286
Current portion	(134,922)	(249,900)
	\$ 791,910	\$ 952,386

- (i) 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 were 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. The loan is secured by a universal mortgage on all present and future assets, including a first ranking on tax credits. Two current directors / officers of the Company have personally guaranteed a total of \$50,000 of the loan.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

7. TERM LOANS (Continued)

- (ii) 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 was paid in July 2016, thereafter monthly principal payments of \$4,160 plus interest are due until June 2021 (59 months). Two current directors / officers of the Company have personally guaranteed 64% of the outstanding balance of the loan, and the Company has guaranteed the full amount of the outstanding commitment of the loan. In October 2016, the Company received an additional \$100,000, less transactions costs of \$2,000, with the same terms and conditions stated above except the first monthly principal payment of \$2,060 plus interest was paid in September 2017, thereafter monthly principal payments of \$1,660 plus interest are due until August 2022 (59 months).

Principal scheduled repayments under the term loans are due as follows:

2018 (Six months)	\$	134,922
2019		269,844
2020		269,844
2021		248,997
2022		21,580
Thereafter		-
	\$	945,187

8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	64,624
Two to five years		125,564
More than five years		-
	\$	190,188

9. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 57,037,433 common shares issued and outstanding as at January 31, 2018 (32,593,000 as at July 31, 2017).

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

On October 19, 2017, the Company closed a non-brokered private placement and issued:

- 19,999,992 units at a price of \$0.05 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.05 for a period of 24 months from the date of issuance.
- 4,444,441 units at a price of \$0.0675 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.0675 for a period of 24 months from the date of issuance.

Share issuance costs of \$45,564 were incurred related to the above private placement and was deducted from share capital and \$569,021 was reallocated to warrants.

Stock Option Plan

A summary of the status of the Company's stock options as at January 31, 2018 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,375,000	\$ 0.15
Granted (i)	3,500,000	0.10
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	4,875,000	\$ 0.11
Exercisable - end of period	4,875,000	\$ 0.11

The weighted average remaining contractual life of stock options as of January 31, 2018 is 4.7 years (July 31, 2017 - 4.78 years).

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

Stock Option Plan (Continued)

The Company had the following stock options outstanding as of January 31, 2018:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price \$	Expiry Date
1,375,000	1,375,000	0.15	May 10, 2022
3,500,000	3,500,000	0.10	December 11, 2022
4,875,000	4,875,000		

- (i) On December 11, 2017, the Company granted 3,500,000 stock options to certain officers and directors. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.10 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

The estimated fair value of the stock options granted was estimated as \$0.04 by using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield 0%; expected volatility of 118%; risk free interest rate of 1.55%; and expected life of five years. Stock-based compensation for all vested options for the six months ended January 31, 2018 was \$131,159 (six months ended January 31, 2017 - \$Nil), which was credited to contributed surplus and expensed to stock based compensation.

Share Purchase Warrants

On October 19, 2017 the Company issued 19,999,992 units at a price of \$0.05 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.05 for a period of 24 months from the date of issuance. The estimated fair value of these warrants, as of the grant date, were determined to be \$448,950 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 118%; risk free interest rate of 1.55%; and expected life of one year.

On October 19, 2017 the Company issued 4,444,441 units at a price of \$0.0675 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.0675 for a period of 24 months from the date of issuance. The estimated fair value of these warrants, as of the grant date, were determined to be \$120,071 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 118%; risk free interest rate of 1.55%; and expected life of two years.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

Share Purchase Warrants (Continued)

A summary of the status of the Company's warrants as at January 31, 2018 and changes during the six months then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	-	\$ -
Granted	24,444,433	0.0532
Exercised	-	-
Expired	-	-
Outstanding - end of period	24,444,433	\$ 0.0532

The Company had the following warrants outstanding as at January 31, 2018:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date	Remaining Life (Years)
19,999,992	0.05	October 19, 2019	1.72
4,444,441	0.0675	October 19, 2019	1.72
24,444,433			

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

10. EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

The components of cost of sales - subscription and support are as follows:

	Three months ended January 31, 2018	Six months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2017
Hosting expense	\$ 48,482	\$ 90,371	\$ 49,617	\$ 92,808
Subcontracting	16,370	44,543	58,189	120,948
Salaries and benefits	6,825	23,319	52,116	91,176
	\$ 71,677	\$ 158,233	\$ 159,922	\$ 304,932

Cost of Sales - Services

The components of cost of sales - services are as follows:

	Three months ended January 31, 2018	Six months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2017
Salaries and benefits	\$ 262,473	\$ 444,903	\$ 243,085	\$ 425,275
Subcontracting	35,939	59,511	36,332	75,517
Other production costs	21,364	27,480	38,180	79,474
Camera and teleprompter	3,430	3,690	8,089	27,462
Talent	-	60	-	830
	\$ 323,206	\$ 535,644	\$ 325,686	\$ 608,558

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

10. EXPENSES BY NATURE (Continued)

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended January 31, 2018	Six months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2017
Salaries and benefits	\$ 122,789	\$ 245,449	\$ 108,822	\$ 217,648
Rent and occupancy costs	48,157	94,769	52,582	103,260
Professional fees	33,619	72,314	17,547	60,047
Consulting fees	52,151	85,844	11,580	17,580
Training and recruitment	30,878	30,878	401	616
Computer and software	19,342	28,931	10,469	18,364
Telecommunications	11,230	21,849	10,332	21,095
Office and general	10,742	19,432	9,239	20,287
Insurance	6,338	10,723	4,465	8,929
Foreign exchange	24,664	9,429	32,892	1,903
Stock exchange expense	2,600	5,165	673	1,706
	\$ 362,510	\$ 624,783	\$ 259,002	\$ 471,435

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended January 31, 2018	Six months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2017
Salaries and benefits	\$ 373,206	\$ 589,467	\$ 218,788	\$ 394,904
Subcontracting	54,478	99,539	53,923	116,911
	\$ 427,684	\$ 689,006	\$ 272,711	\$ 511,815

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

10. EXPENSES BY NATURE (Continued)

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended January 31, 2018	Six months ended January 31, 2018	Three months ended January 31, 2017	Six months ended January 31, 2017
Salaries and benefits	\$ 74,648	\$ 114,227	\$ 21,169	\$ 42,338
Advertising and promotion	67,271	114,575	26,404	52,999
Consulting fees	67,500	76,371	75,255	133,253
Travel	20,091	44,975	26,469	52,972
Meals and entertainment	9,395	12,201	9,262	14,018
	\$ 238,905	\$ 362,349	\$ 158,559	\$ 295,580

11. 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. Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. The Company's related party transactions for the six months ended January 31, 2018 were all paid to key management personnel and were as follows:

Type of Expense	2018	2017
Salaries and benefits	\$ 229,923	\$ 181,441
Professional fees	25,000	25,000
Consulting fees	-	15,000
Transaction costs	8,000	-
Stock-based compensation (i)	131,159	-
	\$ 394,082	\$ 221,441

- i) Stock based compensation for officers/directors is comprised of the vested value of 3,500,000 options granted on December 11, 2017 with an exercise price of \$0.10 per share.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017

(Presented in Canadian Dollars)

(Unaudited)

12. FINANCIAL INSTRUMENTS

Credit Risk

BlueRush is exposed to credit risk on its trade accounts receivable. Credit risk is minimized by ensuring the credit worthiness of the entities with which it carries on business. The Company's clients predominantly consist of financial institutions and large public companies, many of whom are repeat clients and have long term relationships with the Company. Management regularly reviews the credit terms and collectability of accounts and for the six months ended January 31, 2018 has recorded a bad debts expense of \$Nil (six months ended January 31, 2017 - \$Nil).

An analysis of the credit quality of the Company's trade receivables is as follows:

	January 31, 2018	July 31, 2017
Current	\$ 223,028	\$ 379,097
Past due less than 90 days	197,409	222,202
Past due greater than 90 days	28,550	31,398
Less: Allowance for doubtful accounts	-	-
	\$ 448,987	\$ 632,697

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they become due. The Company is exposed to liquidity risk on accounts payable to its suppliers, which arise in the normal course of operations and are due in less than one year, on its bank overdraft which is due on demand and its term loans which are repayable in 60 monthly instalments of approximately \$16,665 and \$4,160 beginning in July 2016 and \$1,660 beginning in September 2017. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows and budgets on all contracts, while maintaining adequate working capital on hand to meet its future obligations. As of January 31, 2018, the Company had cash on hand of \$1,715,737 and accounts receivable of \$448,987 to meet working capital requirements.

Management expects that its capital resources will be sufficient to fund its ongoing liabilities as they come due.

Market Risk

The Company is exposed to risks from changes in foreign exchange rates and interest rates that affect its financial liabilities, financial assets and future transactions.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Consequently, some assets, liabilities, revenues and purchases are exposed to foreign exchange fluctuations. As at January 31, 2018, cash, accounts receivable and accounts payable of \$410,610, \$10,995 and \$Nil (July 31, 2017 - \$704,996, \$5,895 and \$Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.2293 (July 31, 2017 - 1.2485). For the six months ended January 31, 2018, the Company recognized a loss on foreign exchange of \$9,429 (six months ended January 31, 2017 - \$1,903) as a result of the depreciation of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in an increase or decrease in net earnings of approximately \$21,000.

Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its credit facility and term loans.

Sensitivity Analysis

As at January 31, 2018, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. The Company does not believe there would be any material movements as a result of changes in interest rates or foreign exchange rates.

Fair Value Hierarchy

Financial instruments measured at fair value on the statement of financial position are categorized into levels of the fair value hierarchy. The Company only has one financial instrument measured at fair value, cash, which is categorized into Level 1. The fair value of Level 1 financial instruments is based on quoted market prices.

13. SUBSEQUENT EVENTS

On March 7, 2018, the Company granted 1,750,000 stock options to a director of the Company. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.12 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JANUARY 31, 2018 AND 2017 (Presented in Canadian Dollars) (Unaudited)

14.COMPARATIVE FIGURES

Certain comparative figures have been reclassified to reflect the current year's presentation.

The prior period revenue categories were reclassified into new categories as follows:

	Three months ended January 31, 2018		Six months ended January 31, 2017	
	New Presentation	Former Presentation	New Presentation	Former Presentation
Revenue	\$ -	\$ 816,505	\$ -	\$ 1,788,373
Subscriptions and support	273,759	-	500,026	-
Services	541,534	-	1,284,621	-
Interest	1,212	-	3,726	-
	\$ 816,505	\$ 816,505	\$ 1,788,373	\$ 1,788,373

The prior period expense categories were reclassified into new categories as follows:

	Three months ended January 31, 2018		Six months ended January 31, 2017	
	New Presentation	Former Presentation	New Presentation	Former Presentation
Cost of sales - subscriptions and support	\$ 159,922	\$ -	\$ 304,932	\$ -
Cost of sales - services	325,686	-	608,558	-
Salaries and benefits	-	643,983	-	1,171,344
General and administrative	259,002	183,186	471,435	296,148
Consulting fees	-	235,278	-	464,207
Production costs	-	95,886	-	200,574
Professional fees	-	17,547	-	60,047
Research and development	272,711	-	511,815	-
Sales and marketing	158,559	-	295,580	-
	\$ 1,175,880	\$ 1,175,880	\$ 2,192,320	\$ 2,192,320