

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OCTOBER 31, 2013
(Presented in Canadian Dollars)
(Unaudited)

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2013

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(Unaudited)

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

	Note	October 31, 2013 (Unaudited)	July 31, 2013 (Audited)
ASSETS			
Current Assets			
Cash		\$ 1,026,634	\$ 1,030,506
Accounts receivable		1,147,582	1,016,346
Prepaid expenses		21,684	23,997
Income taxes and investment tax credits recoverable		205,955	276,422
Unbilled revenue		136,758	168,855
Work in process		228,289	159,379
Total Current Assets		2,766,902	2,675,505
Long Term Assets			
Equipment	3	56,239	60,187
Total Assets		\$ 2,823,141	\$ 2,735,692
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 180,053	\$ 248,725
Deferred revenue		399,865	446,314
Deferred tax liability		2,114	2,114
Total Current Liabilities		582,032	697,153
Commitments	5		
Equity			
Share capital	6	763,633	763,633
Contributed surplus	6	333,738	333,738
Retained earnings		1,143,738	941,168
Total Equity		2,241,109	2,038,539
Total Liabilities and Equity		\$ 2,823,141	\$ 2,735,692

Approved on Behalf of the Board

(Signed) - "Larry Lubin", Director

(Signed) - "Jim Moriarty", 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
INCOME
FOR THE THREE MONTHS ENDED OCTOBER 31
(Presented in Canadian Dollars)
(Unaudited)

	Note	2013	2012
REVENUE		\$ 1,379,454	\$ 1,189,888
EXPENSES			
Salaries and benefits		556,747	376,204
Consulting fees		251,114	319,889
General and administrative	7	184,525	131,920
Production costs	7	68,228	72,791
Professional fees		41,856	35,803
Amortization		3,947	4,752
Total Expenses		1,106,417	941,359
EARNINGS BEFORE TAXES		273,037	248,529
Income taxes		70,467	55,047
NET EARNINGS AND COMPREHENSIVE INCOME		202,570	193,482
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.006	\$ 0.006
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,518,000	32,447,121
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.006	\$ 0.006
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		35,638,000	35,021,077

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BLUERUSH MEDIA GROUP CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED OCTOBER 31, 2013 AND 2012
(Presented in Canadian Dollars)
(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - August 1, 2012	32,368,000	\$ 742,633	\$ 260,675	\$ 591,436	\$ 1,594,744
Shares issued on options exercised	150,000	21,000	(6,000)	-	15,000
Net earnings	-	-	-	193,482	193,482
Stock-based compensation	-	-	27,314	-	27,314
Balance - October 31, 2012	32,518,000	\$ 763,633	\$ 281,989	\$ 784,918	\$ 1,830,540
Balance - August 1, 2013	32,518,000	763,633	333,738	941,168	2,038,539
Net earnings	-	-	-	202,570	202,570
Balance - October 31, 2013	32,518,000	\$ 763,633	\$ 333,738	\$ 1,143,738	\$ 2,241,109

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

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 202,570	\$ 193,482
Item not requiring an outlay of cash:		
Amortization	3,947	4,752
Stock-based compensation	-	27,314
Deferred income taxes	-	55,047
Changes in non-cash working capital:		
Accounts receivable	(131,236)	563,625
Prepaid expenses	2,313	3,902
Work in process	(68,910)	(214,476)
Unbilled revenue	32,097	(11,550)
Income taxes and investment tax credits recoverable	70,467	-
Accounts payable and accrued liabilities	(68,671)	(166,302)
Deferred revenue	(46,449)	(33,758)
	(3,872)	422,036
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued on options exercised	-	15,000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(3,572)
NET (DECREASE) INCREASE IN CASH	(3,872)	433,464
CASH, BEGINNING OF PERIOD	1,030,506	674,571
CASH, END OF PERIOD	\$ 1,026,634	\$ 1,108,035
SUPPLEMENTAL CASH FLOW INFORMATION		
INTEREST PAID	\$ 3,764	\$ 497
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 THREE MONTHS ENDED OCTOBER 31, 2013
(Presented in Canadian Dollars)
(Unaudited)

I. NATURE OF BUSINESS

BlueRush Media Group Corp. ("BlueRush" or the "Company") is a digital marketing company which combines leading edge technology with award winning creative television production. The Company was incorporated on April 6, 2004 in the Province of Ontario. BlueRush is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). They have been prepared using the accounting policies that were described in Note 2 to the Company's annual financial statements as at and for the year ended July 31, 2013.

These financial statements should be read in conjunction with the Company's 2013 annual financial statements.

These financial statements were authorized by the Board of Directors on December 30, 2013.

3. EQUIPMENT

The components of equipment are as follows as of October 31, 2013:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2013	\$ 69,681	\$ 95,665	\$ 165,346
Additions	-	-	-
Disposals	-	-	-
Closing balance - October 31, 2013	\$ 69,681	\$ 95,665	\$ 165,346

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2013	\$ 47,004	\$ 58,155	\$ 105,159
Amortization	1,134	2,814	3,948
Closing balance - October 31, 2013	\$ 48,138	\$ 60,969	\$ 109,107

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2013
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3. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2013	\$ 22,677	\$ 37,510	\$ 60,187
Balance - October 31, 2013	\$ 21,543	\$ 34,696	\$ 56,239

4. BANK INDEBTEDNESS

In order to meet daily cash flow requirements, the Company utilizes a revolving line of credit in the form of an overdraft on its chequing account at the Canadian Imperial Bank of Commerce ("CIBC"). The line of credit is available up to 75% of accounts receivable that are outstanding under 90 days, and 50% of accounts receivable that are outstanding between 90 and 120 days, up to a maximum of \$750,000. The line of credit is repayable on demand, 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 October 31, 2013, the Company has the full \$750,000 available under the line of credit.

5. COMMITMENTS

The Company has the following lease commitments for premises:

2014 (nine months)	\$ 127,109
2015	14,123
Thereafter	-
	\$ 141,232

BLUERUSH MEDIA GROUP CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued and Outstanding

	Number of Common Shares	Amount
Balance - August 1, 2012	\$ 32,368,000	\$ 742,633
Options exercised (i)	\$ 150,000	21,000
Balance - October 31, 2013 and 2012	\$ 32,518,000	\$ 763,633

- (i) On September 13, 2012, the Company received cash proceeds of \$15,000 and issued 150,000 shares upon the exercise of options at \$0.10 per share. The estimated fair value of these options granted on October 14, 2011 in the amount of \$6,000 was removed from contributed surplus and allocated to share capital.

Stock Option Plan

The Company has outstanding options which each can be exercised and exchanged for one common share. A summary of the status of the Company's stock options as at October 31, 2013 and changes during the three months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,620,000	\$ 0.14
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	2,620,000	\$ 0.14
Exercisable - end of period	2,620,000	\$ 0.14

The weighted average remaining contractual life of stock options as of October 31, 2013 is 6.82 years (July 31, 2013 - 7.08 years).

BLUERUSH MEDIA GROUP CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2013**

(Presented in Canadian Dollars)

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6. SHARE CAPITAL (Continued)**Stock Option Plan (Continued)**

The Company had the following stock options outstanding as of October 31, 2013:

Number of Options Outstanding	Exercise Price \$	Expiry Date
450,000	0.10	May 8, 2014
120,000	0.10	March 5, 2015
2,050,000	0.15	May 10, 2022
2,620,000		

Share Purchase Warrants

The Company has outstanding warrants which each can be exercised and exchanged for one common share. For the three months ending October 31, 2013 a summary of the status of outstanding warrants during the period is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	500,000	\$ 0.10
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	500,000	\$ 0.10

The Company had the following warrants outstanding as at October 31, 2013:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date
250,000	0.10	May 23, 2015
250,000	0.10	August 23, 2015
500,000		

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2013

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7. EXPENSES

General and Administrative Expenses

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

	2013	2012
Rent and occupancy costs	\$ 85,833	\$ 59,658
Travel	28,867	19,081
Advertising and promotion	5,531	14,807
Telecommunications	11,062	11,597
Other expenses	53,232	26,777
	\$ 184,525	\$ 131,920

Production Costs

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

	2013	2012
Hosting	\$ 35,060	\$ 25,343
Camera and teleprompter	4,903	7,941
Talent	11,392	7,302
Other production costs	16,873	32,205
	\$ 68,228	\$ 72,791

8. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related party transactions for the three months ended October 31, 2013 were as follows:

- Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense is an amount of \$93,461 (three months ended October 31, 2012 - \$93,461) for compensation paid to key management personnel.
- Included in salaries and benefits is an amount of \$Nil (three months ended October 31, 2012 - \$7,313) for stock based compensation expense relating to the expensing of 225,000 options granted to directors in May 2012. The options vested in May 2013.