

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014

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(Unaudited)

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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. as at and for the three months and six months ended January 31, 2015 and 2014 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

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 three months and six months ended January 31, 2015 and 2014 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, 2015 (Unaudited)	July 31, 2014 (Audited)
ASSETS			
Current Assets			
Cash		\$ 2,220,841	\$ 1,624,107
Accounts receivable		673,168	733,129
Prepays and other assets		23,748	23,125
Income taxes and investment tax credits recoverable		577,373	729,405
Unbilled revenue	3	30,053	58,989
Work in process	3	5,048	842
Total Current Assets		3,530,231	3,169,597
Long Term Assets			
Deferred taxes		-	15,305
Equipment	4	42,158	47,119
Intangibles	5	300,775	236,483
Total Long Term Assets		342,933	298,907
Total Assets		\$ 3,873,164	\$ 3,468,504
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 376,502	\$ 403,018
Deferred revenue	3	349,050	395,007
Term loan	7	972,222	800,000
Total Current Liabilities		1,697,774	1,598,025
Long Term Liabilities			
Deferred taxes		30,956	-
Commitments	8		
Equity			
Share capital	9	774,883	774,883
Contributed surplus	9	336,551	336,551
Retained earnings		1,033,000	759,045
Total Equity		2,144,434	1,870,479
Total Liabilities and Equity		\$ 3,873,164	\$ 3,468,504

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 (Presented in Canadian Dollars) (Unaudited)

	Note	January 31, 2015	January 31, 2014
REVENUE		\$ 1,003,460	\$ 1,276,118
EXPENSES			
Salaries and benefits		510,816	784,875
Consulting fees		198,201	245,328
General and administrative	10	136,517	176,253
Production costs	10	45,964	70,025
Professional fees		21,946	(5,501)
Interest and bank charges		8,752	4,112
Gain on foreign exchange		(52,791)	-
Amortization		2,953	2,812
Total Expenses		872,358	1,277,904
EARNINGS (LOSS) BEFORE TAXES		131,102	(1,786)
Current income taxes		(558)	(19,226)
Deferred income taxes		10,639	-
Total Income Taxes		10,081	(19,226)
NET EARNINGS AND COMPREHENSIVE INCOME		\$ 121,021	\$ 17,440
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.004	\$ 0.001
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,518,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.004	\$ 0.000
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	35,638,000

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

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED (Presented in Canadian Dollars) (Unaudited)

	Note	January 31, 2015	January 31, 2014
REVENUE		\$ 2,188,860	\$ 2,655,572
EXPENSES			
Salaries and benefits		1,091,119	1,341,623
Consulting fees		386,425	496,442
General and administrative	10	270,264	357,014
Production costs	10	102,219	138,253
Professional fees		65,372	36,355
Interest and bank charges		19,674	7,876
Gain on foreign exchange		(72,021)	-
Amortization		6,150	6,759
Total Expenses		1,869,202	2,384,322
EARNINGS BEFORE TAXES		319,658	271,250
Current income taxes		(558)	51,241
Deferred income taxes		46,261	-
Total Income Taxes		45,703	51,241
NET EARNINGS AND COMPREHENSIVE INCOME		273,955	220,009
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		\$ 0.008	\$ 0.007
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,593,000	32,518,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		\$ 0.008	\$ 0.006
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		32,593,000	35,638,000

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BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JANUARY 31, 2015 and 2014

(Presented in Canadian Dollars)

(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - August 1, 2013	32,518,000 \$	763,633 \$	333,738 \$	941,170 \$	2,038,541
Net earnings	-	-	-	220,009	220,009
Balance - January 31, 2014	32,518,000 \$	763,633 \$	333,738 \$	1,161,179 \$	2,258,550
Balance - August 1, 2014	32,593,000	774,883	336,551	759,045	1,870,479
Net earnings	-	-	-	273,955	273,955
Balance - January 31, 2015	32,593,000 \$	774,883 \$	336,551 \$	1,033,000 \$	2,144,434

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 (Presented in Canadian Dollars) (Unaudited)

	January 31, 2015	January 31, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 273,955	\$ 220,009
Items not requiring an outlay of cash:		
Amortization	6,150	6,759
Gain on foreign exchange	(71,683)	-
Deferred income taxes	46,261	-
Changes in non-cash working capital:		
Accounts receivable	65,038	477,758
Prepays and other assets	(623)	(39,666)
Work in process	(4,206)	40,533
Unbilled revenue	28,936	(122,770)
Income taxes and investment tax credits recoverable	152,032	(99,446)
Accounts payable and accrued liabilities	(26,516)	(14,229)
Deferred revenue	(45,957)	(153,215)
NET CASH PROVIDED BY OPERATING ACTIVITIES	423,387	315,733
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loan	(27,778)	-
Proceeds from term loan	200,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	172,222	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangible assets	(140,867)	-
Expenditures recovered to develop internally generated intangible assets	76,575	-
Purchase of equipment	(1,189)	-
NET CASH USED IN INVESTING ACTIVITIES	(65,481)	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	66,606	-
NET INCREASE IN CASH	596,734	315,733
CASH, BEGINNING OF YEAR	1,624,107	1,030,506
CASH, END OF YEAR	\$ 2,220,841	\$ 1,346,239
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 16,567	\$ 7,876
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 AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (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").

These financial statements should be read in conjunction with the Company's 2014 annual financial statements.

These financial statements were authorized by the Board of Directors on April 1, 2015.

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 THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (Presented in Canadian Dollars) (Unaudited)

3. CONTRACT COSTS AND REVENUES

	Six months ended January 31, 2015
Costs incurred on contracts in progress	\$ 479,570
Profits recognized on contracts in progress	1,006,806
Progress billings	(1,800,325)
	(313,949)
Work in process	5,048
Unbilled revenue	30,053
Deferred revenue	\$ (349,050)

The comparatives for the six months ended January 31, 2014 have not been presented as it is impractical to determine.

4. EQUIPMENT

The components of equipment are as follows as of January 31, 2015:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	\$ 69,681	\$ 98,865	\$ 168,546
Additions	-	1,189	1,189
Disposals	-	-	-
Closing balance - January 31, 2015	\$ 69,681	\$ 100,054	\$ 169,735

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	\$ 51,539	\$ 69,888	\$ 121,427
Amortization	1,769	4,381	6,150
Closing balance - January 31, 2015	\$ 53,308	\$ 74,269	\$ 127,577

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (Presented in Canadian Dollars) (Unaudited)

4. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2014	\$ 18,142	\$ 28,977	\$ 47,119
Balance - January 31, 2015	\$ 16,373	\$ 25,785	\$ 42,158

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of January 31, 2015:

Cost	
Opening balance - August 1, 2014	\$ 236,483
Additions	140,867
Recoveries of expenditures	(76,575)
Disposals	-
Closing balance - January 31, 2015	\$ 300,775

The above internally developed intangible assets are not yet in service therefore the amortization period has not yet commenced.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	January 31, 2015	July 31, 2014
Trade accounts payable	\$ 143,582	\$ 131,326
Accrued liabilities	82,543	135,746
Accrued vacation pay and other employee benefits	62,334	59,861
Government remittances payable	88,043	76,085
	\$ 376,502	\$ 403,018

BLUERUSH MEDIA GROUP CORP.

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(Presented in Canadian Dollars)

(Unaudited)

7. LINE OF CREDIT AND TERM LOAN

In order to meet daily cash flow requirements, the Company utilizes a revolving line of credit in the form of an overdraft on its chequing account at the Canadian Imperial Bank of Commerce ("CIBC"). The line of credit is available up to a maximum of \$1,000,000 or the aggregate of 75% of accounts receivable under 90 days and 40% of work in process and unbilled disbursements (to a maximum of \$500,000). The credit facility is interest-bearing at the CIBC prime rate plus 1.50% per annum. As of January 31, 2015, the Company has \$Nil in use and \$982,515 available under the line of credit.

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

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

2015 (Six months)	\$	166,667
2016		333,333
2017		333,333
2018		138,889
	\$	972,222

8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	55,383
Two to five years		378,224
More than five years		7,880
	\$	441,487

9. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 common shares issued and outstanding as at January 31, 2015 and July 31, 2014.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

On February 10, 2014, the Company received cash proceeds of \$7,500 and issued 75,000 shares upon the exercise of options at \$0.10 per share. The estimated fair value of these options granted on May 8, 2009 in the amount of \$3,750 was removed from contributed surplus and allocated to share capital.

Stock Option Plan

A summary of the status of the Company's stock options as at January 31, 2015 and changes during the six months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding on July 31, 2014	2,170,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding on January 31, 2015	2,170,000	\$ 0.15
Exercisable on January 31, 2015	2,170,000	\$ 0.15

The weighted average remaining contractual life of stock options as of January 31, 2015 is 6.88 years (July 31, 2014 - 7.38 years).

The Company had the following stock options outstanding as of January 31, 2015:

Number of Options Outstanding	Exercise Price \$	Expiry Date
120,000	0.10	March 5, 2015
2,050,000	0.15	May 10, 2022
2,170,000		

Share Purchase Warrants

The Company issues share purchase warrants as compensation for consulting contracts. The Company has 500,000 number of warrants outstanding as at January 31, 2015 and July 31, 2014. No warrants were issued during the six months ended January 31, 2015.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

The Company had the following warrants outstanding as at January 31, 2015:

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

10. EXPENSES BY NATURE

General and Administrative Expenses

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

	2015	2014
Rent and occupancy costs	\$ 103,453	\$ 150,713
Travel	41,840	59,831
Advertising and promotion	40,335	19,124
Telecommunications	17,659	21,595
Other expenses	66,977	105,751
	\$ 270,264	\$ 357,014

Production Costs

The components of production costs for the six months ended January 31 are as follows:

	2015	2014
Hosting	\$ 55,825	\$ 66,762
Camera and teleprompter	10,156	21,966
Talent	6,089	21,597
Other production costs	30,149	27,928
	\$ 102,219	\$ 138,253

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014

(Presented in Canadian Dollars)

(Unaudited)

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. The Company's related party transactions for the three and six months ended January 31, 2015 were only compensation to key management personnel.

Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense for the three and six months ended January 31, 2015 is \$103,905 and \$207,808, respectively (three and six months ended January 31, 2014 - \$113,359 and \$206,820, respectively) for compensation paid to key management personnel.

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, 2015 has recorded a bad debts expense of \$237 (six months ended January 31, 2014 - \$22,480).

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

	January 31, 2015	July 31, 2014
Current	\$ 417,396	\$ 368,941
Past due less than 90 days	225,958	364,188
Past due greater than 90 days	29,814	-
Less: Allowance for doubtful accounts	-	-
	\$ 673,168	\$ 733,129

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (Presented in Canadian Dollars) (Unaudited)

12. FINANCIAL INSTRUMENTS (Continued)

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 loan which is repayable in 36 monthly instalments of \$22,778 beginning in January 2015. 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, 2015, the Company had cash on hand of \$2,220,841, accounts receivable of \$673,168 and \$982,515 available on its line of credit to meet working capital requirements.

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

Sensitivity Analysis

As at January 31, 2015, 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.