

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2016
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2016

CONTENTS

(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. (the "Company") as at and for the three and nine months ended April 30, 2016 and 2015 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 and nine months ended April 30, 2016 and 2015 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 | April 30, 2016 (Unaudited) | July 31, 2015 (Audited) |
|---|------|-------------------------------------|-------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | | \$ 2,014,167 | \$ 2,121,550 |
| Accounts receivable | | 695,867 | 860,105 |
| Prepays and other assets | | 27,526 | 22,823 |
| Income taxes and investment tax credits recoverable | | 235,938 | 417,538 |
| Unbilled revenue | 4 | 27,423 | 2,069 |
| Total Current Assets | | 3,000,921 | 3,424,085 |
| Long Term Assets | | | |
| Income taxes and investment tax credits recoverable | | 467,502 | 467,502 |
| Equipment | 5 | 37,550 | 36,839 |
| Intangibles | 6 | 649,214 | 393,161 |
| Total Long Term Assets | | 1,154,266 | 897,502 |
| Total Assets | | \$ 4,155,187 | \$ 4,321,587 |
| LIABILITIES AND EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 7 | \$ 215,064 | \$ 305,364 |
| Deferred revenue | 4 | 436,353 | 347,575 |
| Term loans - current portion | 9 | 21,225 | 21,225 |
| Total Current Liabilities | | 672,642 | 674,164 |
| Long Term Liabilities | | | |
| Term loans | 9 | 1,200,632 | 1,195,666 |
| Deferred taxes | | 40,239 | 75,977 |
| Total Long Term Liabilities | | 1,240,871 | 1,271,643 |
| Commitments | 10 | | |
| Equity | | | |
| Share capital | 11 | 774,883 | 774,883 |
| Contributed surplus | 11 | 336,551 | 336,551 |
| Retained earnings | | 1,130,240 | 1,264,346 |
| Total Equity | | 2,241,674 | 2,375,780 |
| Total Liabilities and Equity | | \$ 4,155,187 | \$ 4,321,587 |
| 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 APRIL 30 (Presented in Canadian Dollars) (Unaudited)

| | Note | 2016 | 2015 |
|---|------|--------------|-------------|
| REVENUE | | \$ 737,320 | \$ 760,178 |
| EXPENSES | | | |
| Salaries and benefits | | 297,203 | 527,320 |
| Consulting fees | | 272,788 | 110,235 |
| General and administrative | | 342,554 | 159,592 |
| Production costs | | 83,547 | 40,605 |
| Professional fees | | 38,526 | 20,239 |
| Interest and bank charges | | 22,461 | 8,946 |
| Amortization of intangible assets | | 7,891 | - |
| Amortization of equipment | | 2,343 | 2,753 |
| Total Expenses | | 1,067,313 | 869,690 |
| LOSS BEFORE TAXES | | (329,993) | (109,512) |
| Current income taxes | | - | - |
| Deferred income taxes (recovery) | | (61,295) | (11,203) |
| Total Income Taxes | | (61,295) | (11,203) |
| NET EARNINGS AND COMPREHENSIVE INCOME | | \$ (268,698) | \$ (98,309) |
| EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC | | \$ (0.008) | \$ (0.003) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC | | 32,593,000 | 32,593,000 |
| EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED | | \$ (0.008) | \$ (0.003) |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED | | 32,593,000 | 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 INCOME

FOR THE NINE MONTHS ENDED APRIL 30

(Presented in Canadian Dollars)

(Unaudited)

| | Note | 2016 | 2015 |
|---|------|--------------|--------------|
| REVENUE | | \$ 2,714,963 | \$ 2,949,038 |
| EXPENSES | | | |
| Salaries and benefits | | 1,174,585 | 1,618,439 |
| Consulting fees | | 660,573 | 496,660 |
| General and administrative | 12 | 604,273 | 357,835 |
| Production costs | 12 | 239,338 | 142,824 |
| Professional fees | | 105,259 | 85,611 |
| Interest and bank charges | | 69,801 | 28,620 |
| Amortization of intangible assets | | 23,672 | - |
| Amortization of equipment | | 7,306 | 8,903 |
| Total Expenses | | 2,884,807 | 2,738,892 |
| (LOSS) EARNINGS BEFORE TAXES | | (169,844) | 210,146 |
| Current income taxes | | - | (558) |
| Deferred income taxes | | (35,738) | 35,058 |
| Total Income Taxes | | (35,738) | 34,500 |
| NET EARNINGS AND COMPREHENSIVE INCOME | | \$ (134,106) | \$ 175,646 |
| EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC | | \$ (0.004) | \$ 0.005 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC | | 32,593,000 | 32,593,000 |
| EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED | | \$ (0.004) | \$ 0.005 |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED | | 32,593,000 | 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 NINE MONTHS ENDED APRIL 30, 2016 and 2015

(Presented in Canadian Dollars)

(Unaudited)

| | Common Shares | Share Capital | Contributed Surplus | Retained Earnings | Total Equity |
|---------------------------------|--------------------------|--------------------------|--------------------------------|------------------------------|-------------------------|
| Balance - August 1, 2014 | 32,593,000 \$ | 774,883 \$ | 336,551 \$ | 759,045 \$ | 1,870,479 |
| Net earnings | - | - | - | 175,646 | 175,646 |
| Balance - April 30, 2015 | 32,593,000 \$ | 774,883 \$ | 336,551 \$ | 934,691 \$ | 2,046,125 |
| Balance - August 1, 2015 | 32,593,000 | 774,883 | 336,551 | 1,264,346 | 2,375,780 |
| Net earnings | - | - | - | (134,106) | (134,106) |
| Balance - April 30, 2016 | 32,593,000 \$ | 774,883 \$ | 336,551 \$ | 1,130,240 \$ | 2,241,674 |

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 NINE MONTHS ENDED APRIL 30 (Presented in Canadian Dollars) (Unaudited)

| | 2016 | 2015 |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) earnings | \$ (134,106) | \$ 175,646 |
| Items not requiring an outlay of cash: | | |
| Amortization of equipment | 7,306 | 8,903 |
| Amortization of intangibles | 23,672 | - |
| Unrealized gain on foreign exchange | 38,179 | (40,131) |
| Interest accretion on term loans | 4,966 | - |
| Deferred income taxes | (35,738) | 35,058 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 156,914 | (177,027) |
| Prepays and other assets | (4,703) | (12,810) |
| Work in process | - | 842 |
| Unbilled revenue | (25,354) | 47,301 |
| Income taxes and investment tax credits recoverable | 181,600 | 152,032 |
| Accounts payable and accrued liabilities | (88,908) | (131,817) |
| Deferred revenue | 88,778 | 119,436 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 212,606 | 177,433 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of term loan | - | (111,111) |
| Proceeds from term loan | - | 200,000 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | 88,889 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditures to develop internally generated intangible assets | (730,695) | (210,228) |
| Expenditures recovered to develop internally generated intangible assets | 450,970 | 140,950 |
| Purchase of equipment | (8,017) | (1,189) |
| NET CASH USED IN INVESTING ACTIVITIES | (287,742) | (70,467) |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH | (32,247) | 41,228 |
| NET (DECREASE) INCREASE IN CASH | (107,383) | 237,083 |
| CASH, BEGINNING OF YEAR | 2,121,550 | 1,624,107 |
| CASH, END OF YEAR | \$ 2,014,167 | \$ 1,861,190 |
| SUPPLEMENTAL CASH FLOW INFORMATION: | | |
| Interest paid | \$ 64,835 | \$ 23,834 |
| 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 NINE MONTHS ENDED APRIL 30, 2016 AND 2015

(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 2015 annual financial statements.

These financial statements were authorized by the Board of Directors on June 29, 2016.

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 NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES

Accounting Standards Not Yet Effective

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

IFRS 16, Leases ("IFRS 16")

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

4. CONTRACT COSTS AND REVENUES

| | April 30, 2016 | April 30, 2015 |
|---|-------------------|-------------------|
| Costs incurred on contracts in progress | \$ 341,631 | \$ 276,021 |
| Profits recognized on contracts in progress | 528,746 | 321,095 |
| Progress billings | (1,279,307) | (1,099,871) |
| | (408,930) | (502,755) |
| Unbilled revenue | 27,423 | 11,688 |
| Deferred revenue | \$ (436,353) | \$ (514,443) |

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

5. EQUIPMENT

The components of equipment are as follows as of April 30, 2016:

| Cost | Furniture and Fixtures | Computer Equipment | Total |
|----------------------------------|-------------------------------|---------------------------|--------------|
| Opening balance - August 1, 2015 | \$ 69,681 | \$ 100,053 | \$ 169,734 |
| Additions | - | 8,018 | 8,018 |
| Disposals | - | - | - |
| Closing balance - April 30, 2016 | \$ 69,681 | \$ 108,071 | \$ 177,752 |

| Accumulated Amortization | Furniture and Fixtures | Computer Equipment | Total |
|----------------------------------|-------------------------------|---------------------------|--------------|
| Opening balance - August 1, 2015 | \$ 54,904 | \$ 77,991 | \$ 132,895 |
| Amortization | 2,142 | 5,165 | 7,307 |
| Closing balance - April 30, 2016 | \$ 57,046 | \$ 83,156 | \$ 140,202 |

| Carrying Value | Furniture and Fixtures | Computer Equipment | Total |
|----------------------------------|-------------------------------|---------------------------|--------------|
| Balance - August 1, 2015 | \$ 14,777 | \$ 22,062 | \$ 36,839 |
| Closing balance - April 30, 2016 | \$ 12,635 | \$ 24,915 | \$ 37,550 |

6. INTANGIBLES

The components of internally generated intangible assets are as follows as of April 30, 2016:

| Cost | Available for Use | Under Development | Total |
|----------------------------------|--------------------------|--------------------------|--------------|
| Opening balance - August 1, 2015 | \$ 157,810 | \$ 252,658 | \$ 410,468 |
| Additions | - | 730,695 | 730,695 |
| Recoveries of expenditures | - | (450,970) | (450,970) |
| Disposals | - | - | - |
| Closing balance - April 30, 2016 | \$ 157,810 | \$ 983,353 | \$ 690,193 |

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

6. INTANGIBLES (Continued)

| Accumulated Amortization | | | | | | |
|----------------------------------|----|--------|----|---|----|--------|
| Opening balance - August 1, 2015 | \$ | 17,307 | \$ | - | \$ | 17,307 |
| Amortization | | 23,672 | | - | | 23,672 |
| Closing balance - April 30, 2016 | \$ | 40,979 | \$ | - | \$ | 40,979 |

| Carrying Value | | | | | | |
|----------------------------------|----|---------|----|---------|----|---------|
| Balance - August 1, 2015 | \$ | 140,503 | \$ | 252,658 | \$ | 393,161 |
| Closing balance - April 30, 2016 | \$ | 116,831 | \$ | 983,353 | \$ | 649,214 |

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

| | April 30, | | July 31, | |
|--|------------------|---------|-----------------|---------|
| | 2016 | | 2015 | |
| Trade accounts payable | \$ | 48,695 | \$ | 12,579 |
| Accrued liabilities | | 34,548 | | 160,526 |
| Accrued vacation pay and other employee benefits | | 108,877 | | 68,848 |
| Government remittances payable | | 22,943 | | 63,411 |
| | \$ | 215,063 | \$ | 305,364 |

8. CREDIT FACILITY

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") 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. The line of credit is repayable on demand and secured by a general security agreement covering all the assets of the Company and its subsidiary. As of April 30, 2016, the Company has \$Nil (July 31, 2015 - \$Nil) in use and \$972,595 (July 31, 2015 - \$951,714) available under the line of credit.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

9. TERM LOANS

| | April 30, 2016 | July 31, 2015 |
|--|-------------------|------------------|
| Investissement Quebec (i) | \$ 1,000,000 | \$ 1,000,000 |
| Business Development Bank of Canada (ii) | 250,000 | 250,000 |
| Transaction costs | (28,143) | (33,109) |
| | 1,221,857 | 1,216,891 |
| Current portion | (21,225) | (21,225) |
| | \$ 1,200,632 | \$ 1,195,666 |

- (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 are required until June 2016 (12 months), thereafter monthly principal payments of \$16,665 plus interest are due until May 2021 (59 months), with the final payment of \$16,765 due June 2021. 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 \$100,000 of the loan.
- (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 is due 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.

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

| | |
|---------------------|--------------|
| 2016 (Three months) | \$ 21,225 |
| 2017 | 249,900 |
| 2018 | 249,900 |
| 2019 | 249,900 |
| 2020 | 249,900 |
| Thereafter | 229,175 |
| | \$ 1,250,000 |

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

10. COMMITMENTS

The Company has the following lease commitments for premises:

| | | |
|----------------------|----|---------|
| Less than one year | \$ | 38,347 |
| Two to five years | | 326,367 |
| More than five years | | - |
| | \$ | 364,714 |

11. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 common shares issued and outstanding as at April 30, 2016 and July 31, 2015.

Stock Option Plan

A summary of the status of the Company's stock options as at April 30, 2016 and changes during the nine months then ended is presented below:

| | Number of Options | Weighted Average Exercise Price |
|-----------------------------------|-------------------|---------------------------------|
| Outstanding - beginning of period | 2,050,000 | \$ 0.15 |
| Granted | - | - |
| Exercised | - | - |
| Forfeited/cancelled/expired | - | - |
| Outstanding - end of period | 2,050,000 | \$ 0.15 |
| Exercisable - end of period | 2,050,000 | \$ 0.15 |

The weighted average remaining contractual life of stock options as of April 30, 2016 is 6.03 years (July 31, 2015 - 6.78 years).

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

| Number of Options Outstanding | Exercise Price \$ | Expiry Date |
|-------------------------------|-------------------|--------------|
| 2,050,000 | 0.15 | May 10, 2022 |

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

11. SHARE CAPITAL (Continued)

Share Purchase Warrants

The Company issues share purchase warrants as compensation for consulting contracts. No warrants were issued during the nine months ended April 30, 2016.

A summary of the status of the Company's warrants as at April 30, 2016 and changes during the nine months then ended is presented below:

| | Number of Warrants | Weighted Average Exercise Price |
|-----------------------------------|--------------------|---------------------------------|
| Outstanding - beginning of period | 250,000 | \$ 0.10 |
| Granted | - | - |
| Exercised | - | - |
| Expired | (250,000) | 0.10 |
| Outstanding - end of period | - | \$ - |

12. EXPENSES BY NATURE

General and Administrative Expenses

The components of general and administrative expenses for the nine months ended April 30 are as follows:

| | 2016 | 2015 |
|---------------------------|------------|------------|
| Rent and occupancy costs | \$ 151,135 | \$ 152,130 |
| Travel | 79,974 | 64,823 |
| Advertising and promotion | 97,015 | 59,379 |
| Telecommunications | 28,212 | 26,129 |
| Other expenses | 247,937 | 55,374 |
| | \$ 604,273 | \$ 357,835 |

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

12. EXPENSES BY NATURE (Continued)

Production Costs

The components of production costs for the nine months ended April 30 are as follows:

| | 2016 | 2015 |
|-------------------------|-------------------|-------------------|
| Hosting | \$ 130,585 | \$ 86,146 |
| Camera and teleprompter | 30,734 | 10,156 |
| Talent | 13,544 | 7,661 |
| Other production costs | 64,475 | 38,861 |
| | <u>\$ 239,338</u> | <u>\$ 142,824</u> |

13. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related party transactions for the nine months ended April 30, 2016 were only compensation to key management personnel.

Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense for the three and nine months ended April 30, 2016 is \$123,378 and \$331,879, respectively (three and nine months ended April 30, 2015 - \$91,956 and 299,404, respectively) for compensation paid to key management personnel.

14. 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.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

14. FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

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

| | April 30, 2016 | July 31, 2015 |
|---------------------------------------|-------------------|-------------------|
| Current | \$ 584,652 | \$ 514,041 |
| Past due less than 90 days | 65,861 | 140,410 |
| Past due greater than 90 days | 45,354 | 205,654 |
| Less: Allowance for doubtful accounts | - | - |
| | <u>\$ 695,867</u> | <u>\$ 860,105</u> |

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. 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 April 30, 2016, the Company had cash on hand of \$2,014,167, accounts receivable of \$695,867 and \$972,595 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.

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 NINE MONTHS ENDED APRIL 30, 2016 AND 2015 (Presented in Canadian Dollars) (Unaudited)

14. 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 April 30, 2016, cash, accounts receivable and accounts payable of \$616,846, \$80,000 and \$12,995 (July 31, 2015 - \$539,314, \$46,535 and \$Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.26 (July 31, 2015 - 1.3). For the nine months ended April 30, 2016, the Company recognized a loss on foreign exchange of \$33,871 (2015 - gain of \$19,231) as a result of the changes in the rate 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 \$34,000.

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 April 30, 2016, 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.