BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2015 AND 2014
(Presented in Canadian Dollars)

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CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2015 AND 2014

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
BlueRush Media Group Corp.

We have audited the accompanying consolidated financial statements of BlueRush Media Group Corp. and its subsidiary, which comprise the consolidated statements of financial position at July 31, 2015 and July 31, 2014 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended July 31, 2015 and July 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of BlueRush Media Group Corp., and its subsidiary, as at July 31, 2015 and July 31, 2014 and its financial performance and its cash flows for the years ended July 31, 2015 and July 31, 2014 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Professional Accountants
November 27, 2015
Toronto, Ontario

BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JULY 31, 2015 AND 2014
(Presented in Canadian Dollars)

	Note	2015	2014
ASSETS			
Current Assets			
Cash		$ 2,121,550	$ 1,624,107
Accounts receivable		860,105	733,129
Prepaids and other assets		22,823	23,125
Income taxes and investment tax credits recoverable		417,538	308,527
Unbilled revenue	3	2,069	58,989
Work in process	3	-	842
Total Current Assets		3,424,085	2,748,719
Long Term Assets			
Income taxes and investment tax credits recoverable		467,502	420,878
Deferred taxes	13	-	15,305
Equipment	4	36,839	47,119
Intangibles	5	393,161	236,483
Total Long Term Assets		897,502	719,785
Total Assets		$ 4,321,587	$ 3,468,504
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	$ 305,364	$ 403,018
Deferred revenue	3	347,575	395,007
Term loans - current portion	8	21,225	800,000
Total Current Liabilities		674,164	1,598,025
Long Term Liabilities			
Term loans	8	1,195,666	-
Deferred taxes	13	75,977	-
		1,271,643	
Commitments	9		
Equity			
Share capital	10	774,883	774,883
Contributed surplus	10	336,551	336,551
Retained earnings		1,264,346	759,045
Total Equity		2,375,780	1,870,479
Total Liabilities and Equity		$ 4,321,587	$ 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 consolidated financial statements.

BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED JULY 31, 2015 AND 2014
(Presented in Canadian Dollars)

	Note	2015	2014
REVENUE			
Contracts		$ 3,455,513	$ 3,779,641
Hosting		211,376	206,513
Licensing		247,359	47,880
Interest		11,114	9,913
		3,925,362	4,043,947
EXPENSES			
Salaries and benefits		1,822,147	2,217,260
Consulting fees		670,415	1,034,263
General and administrative	12	434,626	611,546
Production costs	12	223,505	228,676
Professional fees		106,795	73,772
Interest and bank charges		43,074	29,832
Amortization of equipment	4	11,468	16,268
Amortization of intangible assets	5	17,307	-
Total Expenses		3,329,337	4,211,617
EARNINGS (LOSS) BEFORE TAXES		596,025	(167,670)
Current income taxes	13	(558)	31,872
Deferred income taxes	13	91,282	(17,419)
Total Income Taxes		90,724	14,453
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)		$ 505,301	$ (182,123)
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC	10	$ 0.016	$ (0.006)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	10	32,593,000	32,555,500
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED	10	$ 0.016	$ (0.006)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	10	32,593,000	32,555,500

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

BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JULY 31, 2015 AND 2014
(Presented in Canadian Dollars)

	Note	Common Shares		Share Capital		Contributed Surplus		Retained Earnings		Total Equity
Balance - August 1, 2013		32,518,000	$	763,633	$	333,738	$	941,168	$	2,038,539
Shares issued on options exercised	10	75,000		11,250		(3,750)		-		7,500
Net loss		-		-		-		(182,123)		(182,123)
Stock-based compensation	11	-		-		6,563		-		6,563
Balance - July 31, 2014		32,593,000	$	774,883	$	336,551	$	759,045	$	1,870,479
Net earnings		-		-		-		505,301		505,301
Balance - July 31, 2015		32,593,000	$	774,883	$	336,551	$	1,264,346	$	2,375,780

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

BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2015 AND 2014
(Presented in Canadian Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 505,301	$ (182,123)
Items not requiring an outlay of cash:		
Amortization of equipment	11,468	16,268
Amortization of intangible assets	17,307	-
Stock-based compensation	-	6,563
Unrealized gain on foreign exchange	(88,018)	(11,278)
Deferred income taxes	91,282	(17,419)
Changes in non-cash working capital:		
Accounts receivable	(129,139)	286,353
Prepaids and other assets	302	3,696
Work in process	842	158,537
Unbilled revenue	56,919	109,867
Income taxes and investment tax credits recoverable	(56,079)	(452,983)
Accounts payable and accrued liabilities	(97,652)	151,468
Deferred revenue	(47,432)	(51,307)
NET CASH PROVIDED BY OPERATING ACTIVITIES	265,101	17,642
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued on options exercised	-	7,500
Proceeds from term loans, net of transaction costs	1,216,890	800,000
Repayment of term loan	(800,000)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	416,890	807,500
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangibles	(396,271)	(399,558)
Expenditures recovered to develop internally generated intangibles	122,730	163,075
Purchase of equipment	(1,188)	(3,200)
NET CASH USED IN INVESTING ACTIVITIES	(274,729)	(239,683)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	90,181	8,142
NET INCREASE IN CASH	497,443	593,601
CASH, BEGINNING OF YEAR	1,624,107	1,030,506
CASH, END OF YEAR	$ 2,121,550	$ 1,624,107
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 43,074	$ 23,033
Income taxes paid	$ -	$ -

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

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. 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. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Board of Directors approved these consolidated financial statements for issue on November 27, 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.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the Company's functional currency by applying the exchange rates in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange in effect at the statement of financial position date and any gains or losses are recognized in the consolidated statement of comprehensive income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

Expenditures related to research activities are recognized as an expense in the period in which they are incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, the entity can demonstrate all of the following:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) its intention to complete the intangible asset and use or sell it;

(c) its ability to use or sell the intangible asset;

(d) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs are capitalized as soon as the above criteria are met. Where no internally generated intangible asset can be recognized, development expenditures are expensed in the period in which they are incurred. Expenditures recovered related to internally developed intangible assets are deducted from the capitalized development costs in the period in which they are recovered.

After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Once an internally generated intangible asset becomes available for use, expenditures are no longer capitialized to the intangible. Internally generated intangible assets that are available for use are amortized on a straight-line basis over their useful life, which is generally up to five years, and an impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount. Internally generated intangible assets that are under development are not amortized and are reviewed for impairment annually by comparing the carrying amount with its recoverable amount. Any impairment loss is recognized in profit or loss when their recoverable amount is less than their net carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

The Company operates a stock option plan as part of its compensation of directors, officers or employees. The fair value of stock options for each vesting period is determined using the Black-Scholes option pricing model and is recorded over the vesting period as an increase in stock-based compensation expense and contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the exercise of stock options, the proceeds received by the Company and the related contributed surplus are recorded as an increase in capital stock. In the event that the vested stock options expire, previously recognized stock-based compensation is not reversed. In the event that stock options are forfeited, previously recognized stock-based compensation associated with the unvested portion of the stock options forfeited is reversed.

The fair value of share-based payment transactions to non-employees and other share-based payments are based on the fair value of the goods or services received. If the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the good or services.

Revenue Recognition

Contracts

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 estimates the percentage of completion of revenue based on the proportion of total project contract costs incurred for work performed at the statement of financial position date to the estimated total project contract costs to complete the project.

Due to percentage of completion of projects, 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 revenue to be recognized exceeds the amount billed to customers is recognized as unbilled revenue. Billings which exceed revenue to be recognized at a point in time are recognized as deferred revenue.

Hosting

The Company also generates hosting revenue for providing web and rich media hosting to clients. Hosting revenue is subject to a fixed contract rate, with the exception of fees charged for excess bandwidth usage. Revenue is recognized once the service has been completed and when collection is reasonably assured.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Licensing

The Company also generates licensing revenue from the use of its products. Licensing revenue is subject to a fixed contract rate and is billed monthly. Revenue is recognized on a straight-line basis over the licensing term and when collection is reasonably assured.

Interest

Interest income is accounted for on an accrual basis using the effective interest method.

Earnings (Loss) Per Share

Basic earnings (loss) per common share is determined by dividing net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per common share is calculated by adjusting the the weighted average number of shares outstanding, adjusted for any of its own shares held, for the effects of all dilutive potential common shares, which are comprised of outstanding warrants and vested stock options. Diluted earnings (loss) per common share 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 is recorded at cost and is amortized over its 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

At the end of each reporting date, the carrying amounts of the Company's long-lived assets, which are comprised of equipment and internally genenerated intangible assets that are available for use, are reviewed to determine whether there is any indication that those assets may be impaired. If such impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The carrying amount of the Company's internally genenerated intangible assets that are under development are required to be reviewed for impairment annually by comparing the carrying amount with its recoverable amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets (Continued)

Impairment is determined for an individual asset unless the asset does not generate cash inflows that are independent of those generated from other assets or group of assets, in which case the individual assets are grouped together into cash generating units ("CGUs") for impairment purposes. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in net earnings (loss) for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying value if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in net earnings (loss).

Investment Tax Credits

An estimate of the refundable investment tax credit ("ITC") on scientific research and experimental 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

Income tax expense is comprised of current and deferred tax. Income tax is recognized in net earnings (loss) except to the extent that it relates to items in equity, in which case it is recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize that excess.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Financial Instruments

All financial instruments are required to be measured at fair value on initial recognition. Measurements in subsequent periods depends upon the financial instrument classification.

The Company has classified its financial instruments as follows:

Instruments	Classification	Measurement Basis
Cash	Fair value through profit or loss ("FVTPL")	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Term loans	Other liabilities	Amortized cost

Financial assets and liabilities classified as FVTPL are measured at their fair value at each reporting date with unrealized gains and losses recognized in net earnings (loss).

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

Transaction costs in respect of financial assets and liabilities which are FVTPL are recognized in net earnings (loss) immediately. Transaction costs in respect of loans and receivables and other liabilities are included in the initial fair value measurement of the financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each year end date. It is determined that financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of comprehensive income for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates and Judgments

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

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

Revenue Recognition

Revenue from contracts is recognized based on the proportion of total project contract costs incurred for work performed at the statement of financial position date compared to the estimated total project contract costs to complete the project. Management is required to make judgmental estimates on the total project contract costs to complete. These judgments will affect the amount of revenue recognized as well as the reported amounts of unbilled revenue and deferred revenue.

Allowance for Doubtful Accounts

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

Investment Tax Credits Recoverable

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 judgments of the amount of investment tax credits that the Company will be able to claim. In order to make this estimate, management utilizes a specialist consultant to prepare the appropriate claim forms. These judgments will affect the reported amounts of investment tax credits recoverable and salaries and wages expense. Management also exercises judgment in determining the recoverability of ITCs recorded as an asset which have not yet been applied to reduce taxes payable and in determining the portion that the Company expects will be realized within one year of the statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates (Continued)

Capitalization of Development Costs

Management exercises judgment when establishing whether the criteria under IAS 38, Intangible Assets, for development costs have been met, specifically the technical feasibility of the products in development and the ability to generate probable economic future benefits.

Impairment of intangibles

Intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount or if the intangibles are not yet in use. The recoverable amount is determined with reference to the fair value of the intangibles less costs of disposal or the value-in-use calculations. An impairment loss is measured as the difference between the asset's carrying amount and the recoverable amount. Where recoverable amount is determined to be less than the carrying amount, an impairment loss may arise. Management exercises significant judgment and assumptions when determining the recoverable amount of intangibles.

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 estimate the volatility of the price of its shares, the amount of future dividends that will be paid, the market's risk-free interest rate, the expected life of the options, and the expected forfeiture rate. These estimates will affect the reported amount of stock-based compensation expense and contributed surplus.

Adoption of New and Amended Standards and Interpretations

(a) IFRS 8, Operating Segments ("IFRS 8")

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgments made by management in applying the aggregation criteria for reportable segments. The amendments will only affect disclosure and are effective for annual periods beginning on or after July 1, 2014. The Company has adopted this standard for its fiscal year ending July 31, 2015. There are no material changes to the Company's consolidated financial statements from the adoption of this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New and Amended Standards and Interpretations (Continued)

(b) IAS 16, Property, Plant and Equipment ("IAS 16") and IAS 38 Intangible Assets ("IAS 38")

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments were effective as of the beginning the current fiscal year. There are no material changes to the Company's consolidated financial statements from the adoption of this standard.

(c) IAS 24, Related Party Disclosures ("IAS 24")

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and were effective as of the beginning the current fiscal year. There are no material changes to the Company's consolidated financial statements from the adoption of this standard.

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:

(a) IAS 1 – Presentation of Financial Statements (“IAS 1”)

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted.

(b) IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9, Financial Instruments was issued in November 2009 as the first step in its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets that must be applied starting January 1, 2018, with early adoption permitted.

(Presented in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Standards Not Yet Effective (Continued)

(c) IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 was issued in May 2014 and applies to an annual reporting period beginning on or after 1 January 2018, with early adoption permitted.

The Company is in the process of assessing the impact that the new and amended standards will have on its financial statements and has not adopted any of the new requirements.

3. CONTRACT COSTS AND REVENUES

	2015	2014
Costs incurred on contracts in progress	$ 266,291	$ 1,073,008
Profits recognized on contracts in progress	303,989	889,140
Progress billings	(915,786)	(2,297,324)
	(345,506)	(335,176)
Work in process	-	842
Unbilled revenue	2,069	58,989
Deferred revenue	$ (347,575)	$ (395,007)

4. EQUIPMENT

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

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	$ 69,681	$ 98,865	$ 168,546
Additions	-	1,188	1,188
Disposals	-	-	-
Closing balance - July 31, 2015	$ 69,681	$ 100,053	$ 169,734

(Presented in Canadian Dollars)

4. EQUIPMENT (Continued)

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	$ 51,539	$ 69,888	$ 121,427
Amortization	3,365	8,103	11,468
Closing balance - July 31, 2015	$ 54,904	$ 77,991	$ 132,895

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2014	$ 18,142	$ 28,977	$ 47,119
Balance - July 31, 2015	$ 14,777	$ 22,062	$ 36,839

As of July 31, 2014:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2013	$ 69,681	$ 95,665	$ 165,346
Additions	-	3,200	3,200
Disposals	-	-	-
Closing balance - July 31, 2014	$ 69,681	$ 98,865	$ 168,546

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2013	$ 47,004	$ 58,155	$ 105,159
Amortization	4,535	11,733	16,268
Closing balance - July 31, 2014	$ 51,539	$ 69,888	$ 121,427

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2013	$ 22,677	$ 37,510	$ 60,187
Balance - July 31, 2014	$ 18,142	$ 28,977	$ 47,119

(Presented in Canadian Dollars)

5. INTANGIBLES

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

Cost		Available for Use		Under Development		Total
Opening balance - August 1, 2014	$	-	$	236,483	$	236,483
Additions		-		396,271		396,271
Recoveries of expenditures (including SRED)		-		(222,286)		(222,286)
Intangibles available for use (i)		157,810		(157,810)		-
Disposals		-		-		-
Closing balance - July 31, 2015	$	157,810	$	252,658	$	410,468
Accumulated Amortization						
Opening balance - August 1, 2014	$	-	$	-	$	-
Amortization		17,307		-		17,307
Closing balance - July 31, 2015	$	17,307	$	-	$	17,307
Carrying Value						
Balance - August 1, 2014	$	-	$	236,483	$	236,483
Balance - July 31, 2015	$	140,503	$	252,658	$	393,161

(i) Balance relates to cost incurred on intangible assets under development which are now available for use.

The components of internally generated intangible assets are as follows as of July 31, 2014:

Cost		Under Development
Opening balance - August 1, 2013	$	-
Additions		399,558
Recoveries of expenditures		(163,075)
Disposals		-
Closing balance - July 31, 2014	$	236,483

(Presented in Canadian Dollars)

5. INTANGIBLES (Continued)

Accumulated Amortization		
Opening balance - August 1, 2013	$	-
Amortization		-
Closing balance - July 31, 2014	$	-

Carrying Value		
Balance - August 1, 2013	$	-
Balance - July 31, 2014	$	236,483

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

		2015		**2014**
Trade accounts payable	$	12,579	$	131,326
Accrued liabilities		160,526		135,746
Accrued vacation pay and other employee benefits		68,848		59,861
Government remittances payable		63,411		76,085
	$	305,364	$	403,018

7. 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 July 31, 2015, the Company has $Nil (2014 - $152,078) in use and $990,838 (2014 - 847,922) available under the line of credit. In addition, the Company is required to maintain minimum effective equity of $1,500,000 or more and a debt service ratio not less than 1.25 to 1. As of July 31, 2015, the Company is onside of both of these financial covenants.

(Presented in Canadian Dollars)

8. TERM LOANS

		2015		2014
Investissement Quebec (i)	$	1,000,000	$	-
Business Development Bank of Canada (ii)		250,000		-
Canadian Imperial Bank of Commerce (iii)		-		800,000
Transaction costs		(33,109)		-
		1,216,891		800,000
Current portion		(21,225)		(800,000)
	$	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. Transaction costs of $33,109 have been deducted from the loan and will be amortized using the effective interest method over the term of the loan. In addition, the Company is required to maintain minimum net worth of $2,000,000 or more and working capital ratio not less than 1.5 to 1. As of July 31, 2015, the Company is onside of both of these financial covenants.

(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 guarateed the full amount of the outstanding committment of the loan.

(iii) In July 2014 the Company received a term loan from the Canadian Imperial Bank of Commerce ("CIBC") in the amount of $800,000. The term loan was interest-bearing at the CIBC prime rate plus 0.25% per annum. Interest only payments were required until January 2015 (6 months), thereafter monthly principal payments of $22,222 were due until January 2018 (36 months). The term loan was repayable on demand and secured by a general security agreement covering all the assets of the parent and subsidiary corporations. This loan was fully repaid during the year ended July 31, 2015.

(Presented in Canadian Dollars)

8. TERM LOANS (Continued)

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

2016	$	21,225
2017		249,900
2018		249,900
2019		249,900
2020		249,900
Thereafter		229,175
	$	1,250,000

9. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	$	128,775
Two to five years		291,548
More than five years		-
	$	420,323

10.SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 (2014 - 32,593,000) common shares issued and outstanding.

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

The Company grants stock options to eligible directors, officers, key employees and consultants under its stock option plan to enable them to purchase common shares of the Company. Under the terms of the plan, the number of common shares which may be issued pursuant to the exercise of options granted under the plan may not exceed 20% (2014 - 20%) of the number of common shares outstanding at the time of grant.

(Presented in Canadian Dollars)

10.SHARE CAPITAL (Continued)

Stock Option Plan (Continued)

The exercise price of an option granted under the plan cannot be less than the closing price of the common shares on the last day on which the common shares trade prior to the grant date of the option. An individual can receive grants of no more than 5% of the outstanding shares of the Company on a yearly basis and options are exercisable over a period not exceeding ten years. Options vest according to the contract terms which range over a period of two to three years.

A summary of the status of the Company's stock options as at July 31, 2015 and 2014 and changes during the years then ended is presented below:

	2015		2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	2,170,000	$ 0.15	2,620,000	$ 0.14
Granted	-	-	-	-
Exercised (i)	-	-	(75,000)	0.10
Expired	(120,000)	0.10	(375,000)	0.10
Outstanding - end of year	2,050,000	$ 0.15	2,170,000	$ 0.15
Exercisable - end of year	2,050,000	$ 0.15	2,170,000	$ 0.15

(i) The share price on the date of exercise was $0.18.

The weighted average remaining contractual life of stock options as of July 31, 2015 is 6.78 years (2014 - 7.38 years).

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

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

Share Purchase Warrants

The Company issues share purchase warrants as compensation for consulting contracts. No warrants were issued during the years ended July 31, 2015 and 2014.

(Presented in Canadian Dollars)

10. SHARE CAPITAL (Continued)

A summary of the status of the Company's warrants as at July 31, 2015 and 2014 and changes during the years then ended is presented below:

	2015		2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of year	500,000	$ 0.10	500,000	$ 0.10
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	(250,000)	0.10	-	-
Outstanding - end of year	250,000	$ 0.10	500,000	$ 0.10

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

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

Subsequent to the year end, the remaining 250,000 warrants were unexercised and expired on August 23, 2015.

Earnings (Loss) Per Share

Basic and diluted earnings (loss) per common share are calculated as follows:

	2015	2014
Numerator:		
Net earnings (loss)	$ 505,301	$ (182,123)
Denominator:		
Weighted average number of common shares outstanding - basic	32,593,000	32,555,500
Weighted average effect of diluted stock options and warrants	-	-
Weighted average number of common shares outstanding - diluted	32,593,000	32,555,500

(Presented in Canadian Dollars)

10.SHARE CAPITAL (Continued)

Earnings (Loss) Per Share (Continued)

	2015	2014
Earnings (loss) per share:		
Basic	$ 0.016	$ (0.006)
Diluted	$ 0.016	$ (0.006)

In the computation of diluted earnings per share during the years ended July 31, 2015 and 2014, the effect of stock options and warrants were only included during the year where the exercise price was less than the average market value of the shares, if dilutive.

Maximum Share Dilution

The following table presents the maximum number of shares that would be outstanding if all outstanding stock options and warrants were exercised and outstanding as at July 31:

	2015	2014
Common shares outstanding	32,593,000	32,593,000
Vested stock options to purchase common shares	2,050,000	2,170,000
Warrants to purchase common shares	250,000	500,000
Fully diluted common shares outstanding	34,893,000	35,263,000

11.STOCK-BASED COMPENSATION

During the year ended July 31, 2015, stock-based compensation for all vested options was $Nil (2014 - $6,563), which was credited to contributed surplus. On the statement of comprehensive income, stock-based compensation expense was recorded as $Nil (2014 - $6,563) in consulting fees.

During the years ended July 31, 2015 and 2014, the Company did not grant any options or issue any warrants.

(Presented in Canadian Dollars)

12.EXPENSES BY NATURE

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	2015	2014
Rent and occupancy costs	$ 203,836	$ 237,342
Travel	82,851	111,589
Advertising and promotion	51,527	29,848
Telecommunications	33,614	41,171
Other expenses	62,798	191,596
	$ 434,626	$ 611,546

Production Costs

The components of production costs are as follows:

	2015	2014
Hosting	$ 114,973	$ 124,196
Camera and teleprompter	10,931	23,631
Talent	9,881	25,778
Other production costs	87,720	55,071
	$ 223,505	$ 228,676

13.INCOME TAXES

Income tax expense is as follows:

	2015	2014
Current income tax expense		
Adjustment in respect of prior years	$ (558)	$ 31,872
Total current income tax expense	(558)	31,872
Deferred income tax expense		
Origination and reversal of temporary differences	91,282	(17,419)
Total deferred income tax expense (recovery)	91,282	(17,419)
Total income tax expense	$ 90,724	$ 14,453

(Presented in Canadian Dollars)

13.INCOME TAXES (Continued)

The following table reconciles income taxes calculated at the combined statutory tax rates of 25.54% (2014 - 25.54%) with the income tax expense in the consolidated financial statements:

		2015		2014
Income tax expense at statutory tax rate	$	152,225	$	(42,823)
Permanent differences		2,281		4,844
Tax on benefit of investment tax credits and other		30,026		52,432
Utilization of non-capital losses		(93,808)		-
	$	90,724	$	14,453

The Company claims research and development deductions and related investment tax credits for tax purposes based on management's interpretation of the applicable legislation in the Income Tax Act of Canada. These claims are subject to audit by Canada Revenue Agency and any adjustments that results could affect investment tax credits recorded in the consolidated financial statements. In the opinion of management, the treatment of research and development for income tax purposes is appropriate. During the year, the Company recognized $310,309 (2014 - $573,538) of investment tax credits in which $210,753 (2014 - $573,538) were presented as a reduction of salaries and benefits expense and $99,556 (2014 - $Nil) were presented as a reduction of intangible assets.

The Company has also applied for new Ontario Interactive digital media tax credits for the fiscal 2012 and 2013 years, which amount to $37,534 and $109,937, respectively. Since the Company has no history of receiving these claims they will not be recognized until they have been approved by the Canada Revenue Agency.

As at July 31, 2015, the Company has ITCs of $530,783 which are available to reduce future taxable income. These ITCs expire as follows:

2031	$	5,576
2032		85,050
2033		137,671
2034		192,581
2035		109,905
	$	530,783

(Presented in Canadian Dollars)

13.INCOME TAXES (Continued)

Deferred Income Taxes

The temporary differences that give rise to deferred income tax assets and liabilities are presented below at the expected future tax rate of 25.54% (2014 - 25.54%):

		2015		2014
Non-capital losses available for carry-forward	$	133,065	$	179,957
Equipment		(995)		743
Intangibles		(100,413)		(60,398)
Unrealized gains on foreign exchange		22,480		2,880
Debt issue costs		(1,691)		-
Federal and provincial ITCs recoverable		(128,423)		(107,877)
Deferred tax (liability) asset	$	(75,977)	$	15,305

As at July 31, 2015, the Company has income tax losses of which are available to reduce future taxable income. These losses expire as follows:

		Federal and Ontario		Quebec
2033	$	355	$	-
2034		336,954		730,292
2035		425		-
	$	337,734	$	730,292

14.RELATED PARTY TRANSACTIONS

Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. For the year ended July 31, 2015, salaries and fees paid to key management personnel amount to $404,077 (2014 - $417,455), of this amount $50,000 (2014 - $46,667) is recorded in professional fees.

(Presented in Canadian Dollars)

14.RELATED PARTY TRANSACTIONS (Continued)

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.

15.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 year ended July 31, 2015 has recorded a bad debts expense of $237 (2014 - $70,180).

As at July 31, 2015, approximately 71% (2014 - 60%) of the Company's accounts receivable are due from four significant customers, each of which individually made up more than 10% of the Company's sales.

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

	2015	2014
Current	$ 514,041	$ 368,941
Past due less than 90 days	140,410	364,188
Past due greater than 90 days	205,654	-
Less: Allowance for doubtful accounts	-	-
	$ 860,105	$ 733,129

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 July 31, 2015, the Company had cash on hand of $2,121,550, accounts receivable of $860,105 and $990,838 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.

15.FINANCIAL INSTRUMENTS (Continued)

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.

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 July 31, 2015, cash and accounts receivable of $539,314 and $46,535 (2014 - $312,948 and $18,600), respectively, are shown in US dollars and converted into Canadian dollars at the year end exchange rate of 1.3. For the year ended July 31, 2015, the Company recognized a gain on foreign exchange of $89,960 (2014 - $14,901) as a result of the appreciation of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in and increase or decrease in net earnings of approximately $28,000.

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 July 31, 2015, the carrying value and fair value amounts of the Company's financial instruments are approximately the same. Unless otherwise indicated, 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.

16.MANAGEMENT OF CAPITAL

The Company considers share capital, contributed surplus, and retained earnings as capital and manages its capital to meet its funding requirements for ongoing operations. There have been no changes in the Company's objectives towards managing its capital in the year.

(Presented in Canadian Dollars)

16.MANAGEMENT OF CAPITAL (Continued)

The Company includes the following in its capital:

	2015	2014
Share capital	$ 774,883	$ 774,883
Contributed surplus	336,551	336,551
Retained earnings	1,264,346	759,045
	$ 2,375,780	$ 1,870,479

The Company's objectives when managing capital are:

(a) To ensure that the Company maintains the level of capital necessary to meet the requirements of its suppliers and its ongoing operations;

(b) To give shareholders sustained growth in value by increasing shareholders' equity; and

(c) To maintain a flexible capital structure which optimises the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by:

(a) Providing services to its customers that are profitable to the Company;

(b) Utilizing a line of credit and term loan provided by its bank; and

(c) Raising capital through equity or debt financings.

The Company is not subject to any capital requirements imposed by a regulator. There were no changes in the Company's approach to capital management during the year. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of capital. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at July 31, 2015.

17.COMPARATIVE FIGURES

Certain 2014 comparative figures have been reclassified to reflect the current year's presentation.

The prior year current portion of income taxes and investments tax credits recoverable were reclassified into their respective short and long term portions. This resulted in a reclassification in the amount of $420,878 from current assets to long term assets. The amount of the current portion is management's estimate of the amount to be realized within the following fiscal year. There was no adjustment required to the opening statement of financial position as at August 1, 2014.