

Interim Consolidated Financial Statements of

BLUERUSH MEDIA GROUP CORP.

For the Six Months Ended January 31, 2011 and 2010

BLUERUSH MEDIA GROUP CORP.

Notice to Reader

January 31, 2011

Notice to reader pursuant to National Instrument 51-102

Responsibility for Consolidated Financial Statements:

The accompanying unaudited interim consolidated financial statements of BlueRush Media Group Corp. ("BlueRush" or "the Company") as at and for the six months ended January 31, 2011 and 2010 have been prepared by the Company's management in accordance with Canadian generally accepted accounting principles applicable to interim financial statements (see note 2 to the interim consolidated financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditors' involvement:

Collins Barrow Toronto LLP, Chartered Accountants, the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of interim financial statements as at and for the six months ended January 31, 2011 and 2010 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH MEDIA GROUP CORP.

Interim Consolidated Balance Sheet
(Unaudited – Prepared by Management)

	January 31, 2011 (unaudited)	July 31, 2010 (audited)
Assets		
Current:		
Cash	\$ 941,899	\$ 284,752
Accounts receivable trade and other	849,133	1,195,419
Prepaid expenses	23,050	13,658
Income taxes and investment tax credits recoverable	-	173,608
Work in process	-	13,079
	<u>1,814,082</u>	<u>1,680,516</u>
Capital assets (note 3)	63,160	59,099
	<u>\$1,877,242</u>	<u>\$1,739,615</u>

Liabilities and Shareholders' Equity

Current:		
Accounts payable and accrued liabilities	\$ 254,909	\$ 407,010
Income taxes payable	28,303	-
Deferred revenue	-	21,470
	<u>283,212</u>	<u>428,480</u>
Due to related party (note 4)	2,228	2,228
	<u>285,440</u>	<u>430,708</u>
Shareholders' equity:		
Capital stock (note 5)	735,683	735,683
Contributed surplus (note 5(c))	81,786	64,918
Retained earnings	774,333	508,306
	<u>1,591,802</u>	<u>1,308,907</u>
	<u>\$1,877,242</u>	<u>\$1,739,615</u>

See accompanying notes to interim consolidated financial statements.

BLUERUSH MEDIA GROUP CORP.

Consolidated Statement of Earnings and Deficit (Unaudited – Prepared by Management)

	Three Months Ended January 31, 2011 (unaudited)	Three Months Ended January 31, 2010 (unaudited)	Six Months Ended January 31 2011 (unaudited)	Six Months Ended January 31 2010 (unaudited)
Income:				
Revenue	\$1,348,162	\$895,292	\$2,398,363	\$1,805,060
Expenses:				
Salaries and benefits	561,266	429,369	1,018,639	842,695
Production costs	117,006	84,453	223,163	170,838
Consulting fees	192,160	147,855	371,646	263,787
Professional fees	8,361	18,640	13,675	20,640
General and administrative	246,561	118,740	365,245	197,009
Amortization	3,853	3,744	7,590	7,488
	1,129,207	802,801	1,999,958	1,502,457
Net income before taxes	218,955	92,491	398,405	302,603
Provision for income taxes	72,255	(24,786)	132,378	44,550
Net income	\$ 146,700	\$117,277	\$ 266,027	\$ 258,053
Earnings per share – basic	\$0.004	\$0.004	\$0.008	\$0.008
Earnings per share – diluted	\$0.004	\$0.004	\$0.008	\$0.008

See accompanying notes to interim consolidated financial statements.

BLUERUSH MEDIA GROUP CORP.

Consolidated Statement of Retained Earnings
(Unaudited – Prepared by Management)

	Six Months Ended January 31, 2011 (unaudited)	Six Months Ended January 31, 2010 (unaudited)
Retained earnings, beginning of period	\$508,306	\$115,093
Net income for the period	266,027	258,053
Retained earnings, end of period	\$774,333	\$373,146

See accompanying notes to interim consolidated financial statements.

BLUERUSH MEDIA GROUP CORP.

Consolidated Statement of Cash Flows (Unaudited – Prepared by Management)

	Three Months Ended January 31, 2011 (unaudited)	Three Months Ended January 31, 2010 (unaudited)	Six Months Ended January 31 2011 (unaudited)	Six Months Ended January 31 2010 (unaudited)
Cash flows from operating activities:				
Net income for the period	\$ 146,700	\$ 117,277	\$ 266,027	\$ 258,053
Items not affecting cash				
Amortization	3,853	3,744	7,590	7,488
Stock based compensation	8,434	3,404	16,868	6,807
Changes in non-cash operating working capital:				
Accounts receivable	340,371	246,503	346,286	172,220
Prepaid expenses	(12,030)	(9,256)	(9,392)	(7,642)
Work in process	-	-	13,079	-
Accounts payable and accrued liabilities	(153,709)	6,212	(152,101)	(30,012)
Income taxes payable	141,788	(29,867)	201,911	38,115
Deferred revenue	-	-	(21,470)	(43,260)
Cash flows from operating activities	475,407	338,017	668,798	401,769
Cash flows from investing activities:				
Capital expenditures	(6,798)	(6,034)	(11,651)	(6,034)
Cash flows from investing activities	(6,798)	(6,034)	(11,651)	(6,034)
Increase (decrease) in cash during the period	468,609	331,983	657,147	395,735
Cash and cash equivalents, beginning of period	473,290	230,709	284,752	166,957
Cash and cash equivalents, end of period	\$ 941,899	\$ 562,692	\$ 941,899	\$ 562,692

See accompanying notes to interim consolidated financial statements.

BLUERUSH MEDIA GROUP CORP.

Notes to Interim Consolidated Financial Statements

January 31, 2011

1. Nature of business:

BlueRush Media Group Corp. ("BlueRush" or the "Company") with its head office in Toronto, Ontario, was incorporated on April 6, 2004 pursuant to the *Business Corporations Act* (Ontario). The Company, through its wholly owned subsidiary, BlueRush Digital Media Corp. ("BlueRush"), is a digital marketing company which combines leading edge technology with award winning creative television production.

2. Significant accounting policies:

Management has prepared the unaudited consolidated financial statements of the Company in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial reporting. Accordingly, they do not include all of the information and notes required by GAAP for annual financial statements. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. The following information should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2010 and the notes thereto. Accounting policies followed in the preparation of the annual consolidated financial statements are consistent with those used in the preparation of the January 31, 2011 interim consolidated financial statements.

These unaudited consolidated financial statements include the accounts of BlueRush and its wholly owned subsidiary, BlueRush Digital Medical Corp. All intercompany accounts and transactions have been eliminated on consolidation.

3. Capital assets:

As at January 31, 2011

	Cost	Accumulated Amortization	Net
Computer equipment	\$ 56,064	\$31,191	\$24,873
Furniture and fixtures	69,681	31,394	38,287
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	\$125,745	\$62,585	\$63,160

BLUERUSH MEDIA GROUP CORP.

Notes to Interim Consolidated Financial Statements

January 31, 2010

3. Capital assets (cont'd):

As at January 31, 2010

	Cost	Accumulated Amortization	Net
Computer equipment	\$ 46,026	\$22,405	\$23,621
Furniture and fixtures	62,883	23,419	39,464
	\$108,909	\$45,824	\$63,085

4. Due to related party

Amount due to an officer and director of the Company is non-interest bearing, unsecured, and due on demand. The officer and director have agreed not to demand repayment before August 1, 2011 and accordingly, the amount has been classified as long term on the balance sheet.

5. Capital stock:

a) Authorized:
Unlimited number of common shares

b) Issued and outstanding:

	Number of Common Shares	Stated Value
Balance, January 31, 2011 and July 31, 2010	32,318,000	\$735,683

c) Stock options granted:

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 10% of the number of common shares outstanding at the time of grant.

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 five years.

In accordance with CICA Handbook Section 3870, options granted are accounted for by the fair value method of accounting for stock-based compensation. The Company records compensation expense and credits contributed surplus for all options granted.

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Notes to Interim Consolidated Financial Statements

January 31, 2011

5. Capital stock (cont'd):

c) Stock options granted (cont'd):

For the six months ended January 31, 2011, no stock options were exercised or granted. Included in operating, general and administrative expenses was stock-based compensation expense of \$8,434 (six months ended January 31, 2010 - \$6,807) relating to the stock options granted to directors, officers, employees and consultants of the Company, during the period prior to July 31, 2010.

A summary of the status of the Company's stock options as at January 31, 2011 and July 31, 2010 and changes during the periods then ended is presented below:

	January 31, 2011		July 31, 2010	
	# of Options	Weighted Average Exercise Price	# of Options	Weighted Average Exercise Price
Outstanding, at beginning of period	1,690,000	\$0.10	2,115,850	\$0.10
Granted	250,000	0.10	430,000	0.10
Exercised	-	-	-	-
Forfeited/cancelled/expired	-	0.10	(855,850)	0.10
Outstanding, at end of period	1,940,000	\$0.10	1,690,000	\$0.10
Exercisable, at end of period	1,064,995	\$0.10	898,333	\$0.10

The following table summarizes information about stock options outstanding and exercisable as at January 31, 2011:

Number of Options Outstanding	Exercise Price	Expiry Date
70,000	\$0.10	August 31, 2011
425,000	\$0.10	November 20, 2012
175,000	\$0.13	June 10, 2013
590,000	\$0.10	May 8, 2014
180,000	\$0.10	March 5, 2015
250,000	\$0.10	March 15, 2015
250,000	\$0.10	August 30, 2015
1,940,000		

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Notes to Interim Consolidated Financial Statements

January 31, 2011

5. Capital stock (cont'd):

c) Stock options granted (cont'd):

Contributed surplus transactions for the respective years are as follows:

	Amount
Balance, July 31, 2009	\$30,414
Stock-based compensation	34,504
Balance, July 31, 2010	64,918
Stock based compensation	16,868
Balance, January 31, 2011	\$81,786

6. 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.

Related party transactions during the six months ended January 31, were as follows:

- a) Included in consulting expenses is an amount of \$15,000 (2009 – nil) for consulting fees paid to a Company owned by the Chief Financial Officer for services rendered.