BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2011 AND 2010

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CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2011

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 balance sheets as at July 31, 2011 and 2010 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements.

We believe that the audit evidence we have obtained 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, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
November 28, 2011
Toronto, Ontario

BLUERUSH MEDIA GROUP CORP.
CONSOLIDATED BALANCE SHEETS
AS AT JULY 31, 2011 AND 2010

	Note		2011		2010
ASSETS					
Current Assets					
Cash		$	697,394	$	284,752
Accounts receivable			1,489,953		1,195,419
Prepaid expenses			14,671		13,658
Income taxes and investment tax credits recoverable			105,651		173,608
Advances to related party	3		2,783		-
Unbilled revenue			58,865		128,400
Work in process			33,152		13,079
			2,402,469		1,808,916
Long Term Assets					
Equipment	4		55,122		59,099
		$	2,457,591	$	1,868,015
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities					
Accounts payable and accrued liabilities		$	360,595	$	407,010
Deferred revenue			155,020		149,870
Advances from related party	3		-		2,228
			515,615		559,108
Commitments	5				
Shareholders' Equity					
Share capital	6		735,683		735,683
Contributed surplus	6		127,685		64,918
Retained earnings			1,078,608		508,306
			1,941,976		1,308,907
		$	2,457,591	$	1,868,015

Approved on Behalf of the Board

________________________________ Director

________________________________ Director

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

BLUERUSH MEDIA GROUP CORP.
CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEARS ENDED JULY 31, 2011 AND 2010

	Note	2011	2010
REVENUE		$ 4,868,733	$ 3,650,579
EXPENSES			
Salaries and benefits		2,037,150	1,535,288
Consulting fees		976,923	654,309
General and administrative		573,762	454,678
Production costs		346,314	353,723
Stock-based compensation	7	62,767	34,504
Professional fees		89,183	51,121
Amortization		15,630	16,660
		4,101,729	3,100,283
EARNINGS BEFORE TAXES		767,004	550,296
INCOME TAXES	8	196,702	157,083
NET EARNINGS		570,302	393,213
RETAINED EARNINGS, BEGINNING OF YEAR		508,306	115,093
RETAINED EARNINGS, END OF YEAR		1,078,608	508,306
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC		$ 0.018	$ 0.012
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC		32,318,000	32,318,000
EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED		$ 0.017	$ 0.012
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED		33,205,585	32,318,000

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, 2011 AND 2010

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	$	570,302	$	393,213
Items not requiring an outlay of cash:				
Amortization		15,630		16,660
Stock-based compensation		62,767		34,504
Changes in non-cash working capital:				
Accounts receivable		(294,534)		(405,121)
Prepaid expenses		(1,013)		(1,774)
Work in process		(20,073)		(13,079)
Unbilled revenue		69,535		-
Income taxes recoverable		67,957		(131,473)
Accounts payable and accrued liabilities		(46,415)		265,669
Deferred revenue		5,150		(21,790)
		429,306		136,809
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of advances from related party		(5,011)		(7,794)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		(11,653)		(11,220)
NET INCREASE IN CASH		412,642		117,795
CASH, BEGINNING OF YEAR		284,752		166,957
CASH, END OF YEAR	$	697,394	$	284,752
SUPPLEMENTAL CASH FLOW INFORMATION				
INTEREST PAID	$	114	$	10,174
INCOME TAXES PAID	$	35,420	$	98,954

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

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. is a digital marketing company which combines leading edge technology with award winning creative television production.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared these consolidated financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies are as follows:

Basis of Presentation

The 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.

Revenue Recognition

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 recognizes revenue related to these projects based on the completion of certain milestones during the project. These milestones are mutually set by the Company and its customers. Upon confirmation from the customer of the Company meeting the milestones, the Company will recognize revenue for the work completed at that point in time.

Differences between timing of billings, based on contract milestones and the recognition of revenue, are recognized as unbilled accounts receivable or deferred revenue. Work performed on contracts where the contract milestones have not been met are recognized as work in process.

Stock-Based Compensation Plan

The Company has a stock-based compensation plan which is described in note 6. Any consideration received on the exercise of stock options is credited to share capital. The Company records compensation expense and credits contributed surplus for all stock options granted. Stock options granted during the year are accounted for in accordance with the fair value method of accounting for stock-based compensation. The fair value for these options is estimated at the date of grant using the Black-Scholes option pricing model.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings (Loss) Per Share

Basic earnings (loss) per common share is determined by dividing net income (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per common share is calculated in accordance with the treasury stock method and is based on the weighted average number of common shares and dilutive common share equivalents outstanding. This method 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 are recorded at cost and are amortized over their 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

Long-lived assets are comprised of equipment. The Company recognizes an impairment loss for a long-lived asset when events or changes in circumstances cause its carrying value to exceed the total undiscounted cash flows expected from its use and eventual disposition. An impairment loss is measured as the excess of the carring value of the asset over its fair value.

Research and Development Costs

Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless a development project meets generally accepted criteria for deferral and amortization. Research and development costs are comprised of wages and benefits. No development costs have been deferred as at July 31, 2011 and 2010.

Investment Tax Credits

As estimate of the refundable investment tax credit on scientific research and 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income (loss) in the year in which those temporary differences are expected to be recovered or settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net future tax asset is recognized.

Financial Instruments

The Company has classified its financial instruments as follows:

Financial Instruments	Classification
Cash	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Advances to (from) related party	Other financial liabilities

Financial assets and liabilities classified as held for trading are measured at their fair value as at each reporting date with changes in fair value included as a component of net income.

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income. The Company does not currently have any other comprehensive income and, accordingly, statements of comprehensive income and accumulated other comprehensive income have not been presented.

Capital Disclosures

CICA Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures required by this Handbook section in note 11 to these consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the year. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to revenue recognition, the allowance for doubtful accounts, amounts of investment tax credits, useful lives of equipment, amounts of accrued liabilities, valuation allowance on future tax assets, the fair value of financial instruments, and several variables in calculating stock-based compensation.

Future Accounting Changes

On 13 February 2008, the Accounting Standards Board confirmed 1 January 2011 as the official changeover date for publicly listed Canadian companies to begin using International Financial Reporting Standards ("IFRS") in place of GAAP as the basis for preparation of financial statements. The Company will adopt IFRS commencing with consolidated financial statements for periods starting on August 1, 2011, with comparatives for the same periods in the prior year.

The Company has begun the process to transition from GAAP to IFRS. The analysis of IFRS in comparison with GAAP has identified presentation differences and there may be significant changes in certain areas following the adoption of IFRS.

IFRS 1, "First Time Adoption of International Financial Reporting Standards" provides entities which are adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to certain of the IFRS requirements for retrospective application of IFRS. The Company is analyzing the various choices and will implement those which are determined to be most appropriate to the Company's particular circumstances.

3. ADVANCES TO (FROM) RELATED PARTY

Amount due from an officer and director of the Company is non-interest bearing, unsecured, and due on demand.

4. EQUIPMENT

The components of equipment are as follows as at July 31, 2011:

	Cost	Accumulated Amortization	Net 2011
Computer equipment	$ 56,065	$ 35,125	$ 20,940
Furniture and fixtures	69,681	35,499	34,182
	$ 125,746	$ 70,624	$ 55,122

As at July 31, 2010:

	Cost	Accumulated Amortization	Net 2010
Computer equipment	$ 51,210	$ 27,190	$ 24,020
Furniture and fixtures	62,883	27,804	35,079
	$ 114,093	$ 54,994	$ 59,099

5. COMMITMENTS

The Company has the following lease commitments for premises:

2012	$ 176,870
2013	155,844
2014	133,049
2015	12,987
	$ 478,750

6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued and Outstanding

	Number of Common Shares	Amount
Balance, July 31, 2011, 2010 and 2009	32,318,000	$ 735,683

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 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. Options vest according to the contract terms which range over a period of two to three 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.

For the year ended July 31, 2011, no stock options were exercised or granted. Stock-based compensation expense of $62,767 (2010 - $34,504) was recorded relating to the stock options and warrants granted to directors, officers, employees and consultants of the Company (note 7).

6. SHARE CAPITAL (Continued)

Stock Option Plan (Continued)

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, at beginning of period	1,690,000	$ 0.10	2,115,850	$ 0.10
Granted	-	-	430,000	0.10
Exercised	-	-	-	-
Forfeited/cancelled/expired	(215,000)	0.10	(855,850)	0.10
Outstanding, at end of period	1,475,000	0.10	1,690,000	0.10
Exercisable, at end of period	1,241,667	$ 0.10	898,333	$ 0.10

The Company had the following stock options outstanding as at July 31, 2011:

Number of Options Outstanding	Exercise Price $	Expiry Date
70,000	0.10	August 31, 2011
350,000	0.10	November 20, 2012
175,000	0.13	June 10, 2013
450,000	0.10	May 8, 2014
180,000	0.10	March 5, 2015
250,000	0.10	March 11, 2015
1,475,000		

In the computation of diluted earnings per share, during the years ended July 31, 2011 and 2010, the effect of these options were only included for the periods of time where the exercise price was less than the market value of the shares.

6. SHARE CAPITAL (Continued)

Share Purchase Warrants

The Company grants share purchase warrants as compensation for consulting contracts. Upon exercise, each warrant is exchangable for one common share of the Company. A summary of the status of the Company's warrants as at July 31, 2011 and 2010 and changes during the years then ended is presented below:

	2011		2010	
	Number of Warrants	**Weighted Average Exercise Price**	**Number of Warrants**	**Weighted Average Exercise Price**
Outstanding, beginning of year	250,000	0.10	-	-
Granted	250,000	0.10	250,000	0.10
Exercised	-	-	-	-
Forfeited/cancelled/expired	-	-	-	-
Outstanding, end of year	500,000	0.10	250,000	0.10
Exercisable, end of year	500,000	$ 0.10	250,000	$ 0.10

The Company had the following warrants outstanding as at July 31, 2011:

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

(i) On August 23, 2010, the Company issued 250,000 share purchase warrants to a consultant for services rendered. The warrants have a life of five (5) years and an exercise price of $0.10.

6. SHARE CAPITAL (Continued)

Contributed Surplus

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		62,767
Balance, July 31, 2011	$	127,685

7. STOCK-BASED COMPENSATION

During the year ended July 31, 2011, stock-based compensation for all warrants and vested options was $62,767 (2010 - $34,504), which was credited to contributed surplus. During the year ended July 31, 2011, the Company granted Nil (2010 - 430,000) options and issued 250,000 (2010 - Nil) share purchase warrants to a consultant for services rendered.

The weighted average fair value of the warrants and options granted in the year ended July 31, 2011 was estimated at $0.06 (2010 - $0.09) by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2011	2010
Risk-free interest rate	2.14%	2.00%
Dividend yield	0%	0%
Volatility	154%	170%
Expected life	5 years	5 years

The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the year they occur. Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

8. INCOME TAXES

Current Income Taxes

The following table reconciles income taxes calculated at the combined statutory tax rates of 30.01% (2010 - 31.79%) with the income tax expense in the consolidated financial statements:

	2011	2010
Income taxes on accounting income	$ 230,178	$ 174,939
Tax effect of expenses that are not deductible for income tax purposes	23,510	19,739
Provision underestimated in prior years	9,750	74,082
Benefit of ITCs and other	1,132	(105,663)
Change in tax rates	514	-
Change in valuation allowance	(40,473)	(6,014)
Utilization of non-capital tax losses	(27,909)	-
Income taxes	$ 196,702	$ 157,083

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 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 approximately $197,000 (2010 - $374,000) of investment tax credits which has been presented as a reduction of the salaries and benefits expense.

Future Income Taxes

The temporary differences that give rise to future income tax assets and future income tax liabilities are presented below:

	2011	2010
Non-capital losses available for carry-forward	$ -	$ 39,068
Property and equipment	(3,954)	(5,489)
Share issue costs	4,822	10,352
Federal ITCs recoverable	2,590	-
Valuation allowance	(3,458)	(43,931)
	$ -	$ -

9. 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 were as follows:

a) During the year ended July 31, 2011, the Company granted Nil options (2010 - 180,000 options) to its directors, as described in note 6.

b) Included in consulting expenses is an amount of $30,000 (2010 - $12,500) for consulting fees paid to a company owned by the Chief Financial Officer for services rendered.

c) Included in consulting expenses is an amount of $Nil (2010 - $61,300) for consulting fees paid to a company owned by the former Chief Financial Officer for services rendered.

10.ECONOMIC DEPENDENCE

Approximately 47% (2010 - 41%) of the Company's sales are made to two customers. The outstanding accounts receivable from these customers as at July 31, 2011 accounted for approximately 44% (2010 - 26%) of the total accounts receivable.

11. CAPITAL MANAGEMENT

The Company considers share capital, contributed surplus, and retained earnings as capital and manages its capital to meet its funding requirements for ongoing operations.

The Company includes the following in its capital as at July 31:

	2011	2010
Share capital	$ 735,683	$ 735,683
Contributed surplus	127,685	64,918
Retained earnings	1,078,608	508,306
	$ 1,941,976	$ 1,308,907

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 optimizes 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; and

(b) 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, 2011.

12.FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk that a counterparty experiences financial difficulties or otherwise fails to fulfill its payment obligations. The Company is exposed to credit risk on accounts receivables from its customers. In order to mitigate this risk, the Company proactively manages its credit exposure to individual accounts and sets appropriate credit policies. The Company is exposed to significant credit risk from two customers as described in note 10.

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 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.

Sensitivity Analysis

As at July 31, 2011, 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.

13.SUBSEQUENT EVENTS

On October 6, 2011, the Company was granted a $500,000 revolving line of credit from the Canadian Imperial Bank of Commerce ("CIBC") for the purpose of meeting daily cash flow requirements. The line of credit is secured by a general security agreement covering all the assets of the parent and subsidiary corporations and is interest-bearing at the CIBC prime rate plus 1.50%.

On October 11, 2011, the Company issued 150,000 stock options to a former director of the Company. The options have a life of twelve (12) months and an exercise price of $0.10.

14.COMPARATIVE FIGURES

Certain 2010 comparative figures have been reclassified to reflect the current year’s presentation.