BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2013 AND 2012
(Presented in Canadian Dollars)

BLUERUSH MEDIA GROUP CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2013

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Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, P.O. Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

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, 2013 and July 31, 2012 and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years ended July 31, 2013 and July 31, 2012 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, 2013 and July 31, 2012 and its financial performance and its cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
November 26, 2013
Toronto, Ontario

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BLUERUSH MEDIA GROUP CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF
(Presented in Canadian Dollars)

	Note	2013	2012
ASSETS			
Current Assets			
Cash		$ 1,030,506	$ 674,571
Accounts receivable		1,016,346	1,413,876
Prepaid expenses		23,997	21,250
Income taxes and investment tax credits recoverable		276,422	75,386
Unbilled revenue		168,855	29,850
Work in process		159,379	42,363
Total Current Assets		2,675,505	2,257,296
Long Term Assets			
Equipment	3	60,187	67,073
Deferred tax asset	9	-	74,449
Total Long Term Assets		60,187	141,522
Total Assets		$ 2,735,692	$ 2,398,818
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 248,725	$ 248,889
Deferred revenue		446,314	555,185
Deferred tax liability	9	2,114	-
Total Current Liabilities		697,153	804,074
Commitments	5		
Equity			
Share capital	6	763,633	742,633
Contributed surplus	6	333,738	260,675
Retained earnings		941,168	591,436
Total Equity		2,038,539	1,594,744
Total Liabilities and Equity		$ 2,735,692	$ 2,398,818

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, 2013 AND 2012
(Presented in Canadian Dollars)

	Note		2013		2012
REVENUE		$	5,295,092	$	4,576,397
EXPENSES					
Salaries and benefits			2,530,327		2,620,325
Consulting fees			1,261,287		1,329,922
General and administrative	8		645,333		630,043
Production costs	8		251,713		421,604
Professional fees			107,933		106,826
Amortization			18,539		15,996
Total Expenses			4,815,132		5,124,716
EARNINGS (LOSS) BEFORE TAXES			479,960		(548,319)
Current income taxes	9		53,665		7,564
Deferred income taxes (recovery)	9		76,563		(74,449)
Total Income Taxes			130,228		(66,885)
NET EARNINGS (LOSS) AND COMPREHENSIVE INCOME (LOSS)			349,732		(481,434)
EARNINGS (LOSS) PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC	6	$	0.011	$	(0.015)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC	6		32,500,280		32,319,918
EARNINGS (LOSS) PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED	6	$	0.011	$	(0.015)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED	6		32,738,774		32,319,918

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, 2013 AND 2012
(Presented in Canadian Dollars)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
Balance - August 1, 2011	32,318,000	$ 735,683	$ 133,423	$ 1,072,870	$ 1,941,976
Shares issued on options exercised	50,000	6,950	(1,950)	-	5,000
Net loss	-	-	-	(481,434)	(481,434)
Stock-based compensation	-	-	129,202	-	129,202
Balance - July 31, 2012	32,368,000	$ 742,633	$ 260,675	$ 591,436	$ 1,594,744
Shares issued on options exercised	150,000	21,000	(6,000)	-	15,000
Net earnings	-	-	-	349,732	349,732
Stock-based compensation	-	-	79,063	-	79,063
Balance - July 31, 2013	32,518,000	$ 763,633	$ 333,738	$ 941,168	$ 2,038,539

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, 2013 AND 2012
(Presented in Canadian Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 349,732	$ (481,434)
Items not requiring an outlay of cash:		
Amortization	18,539	15,996
Stock-based compensation	79,063	129,202
Deferred income tax recovery	76,563	(74,449)
Changes in non-cash working capital:		
Accounts receivable	397,530	76,077
Prepaid expenses	(2,747)	(6,579)
Work in process	(117,016)	(9,211)
Unbilled revenue	(139,005)	29,015
Income taxes and investment tax credits recoverable	(201,036)	30,265
Accounts payable and accrued liabilities	(166)	(111,706)
Deferred revenue	(108,869)	400,165
	352,588	(2,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from advances from related parties	-	2,783
Proceeds from shares issued on options exercised	15,000	5,000
	15,000	7,783
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(11,653)	(27,947)
NET INCREASE (DECREASE) IN CASH	355,935	(22,823)
CASH, BEGINNING OF YEAR	674,571	697,394
CASH, END OF YEAR	$ 1,030,506	$ 674,571
SUPPLEMENTAL CASH FLOW INFORMATION		
INTEREST PAID	$ 1,834	$ 8,220
INCOME TAXES PAID	$ -	$ 20,312

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 26, 2013.

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 Company's functional and presentation currency 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

The Company operates a stock option plan as part of its compensation of directors, officers, employees, or consultants. 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

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 percentage of completion of certain milestones during the project. These milestones are mutually set by the Company and its customers.

Due to percentage of completion of certain milestones, 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 the contract milestones have not been met are recognized as work in process. Work performed on contracts where the contract milestones have been met but not yet billed are recognized as unbilled revenue. Billings which exceed the amount of work performed at a point in time are recognized as deferred revenue.

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)

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 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, 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.

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 to sell 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 income (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 income (loss).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 criteria for deferral and amortization. Research and development costs are comprised of wages and benefits. No development costs have been deferred as of July 31, 2013 and 2012.

Investment Tax Credits

As estimate of the refundable investment tax credit ("ITC") 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.

Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized in net income (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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 income (loss).

Financial assets classified as loans and receivables and liabilities classified as other financial 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 income (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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 judgmental 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 within the next fiscal year, are discussed below:

Revenue Recognition

Revenue is recognized based on contract milestones, whereby there could be differences between the timing of billings and the amount of work completed at a point in time. Management is required to make judgmental estimates on the percentage of completion of a contract milestone based on the amount of work performed at a point in time, and the value of the work performed by its staff up to that date. These judgments will affect the amount of revenue recognized as well as the reported amounts of work in process, unbilled revenue and deferred revenue.

Allowance for Doubtful Accounts

Accounts receivable are reviewed for collectability 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 judgment 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical Accounting Estimates (Continued)

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.

Recent Accounting Pronouncements

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

(a) 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, 2015, with early adoption permitted. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment and hedge accounting.

(b) IFRS 10, Consolidated Financial Statements ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces Standing Interpretations Committee ("SIC") 12, Consolidation—Special Purpose Entities and parts of IAS 27, Consolidated and Separate Financial Statements ("IAS 27"). This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, provided that IFRS 11, IFRS 12, and related amendments to IAS 27 and IAS 28 are adopted at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

(c) IFRS 11, Joint Arrangements ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 12, and the related amendments to IAS 27 and IAS 28 are adopted at the same time.

(d) IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12")

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(e) IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(f) Amendments to Other Standards

In addition, there have been amendments to existing standards, including IAS 27 and IAS 28. The amended IAS 27 addresses accounting for subsidiaries, jointly controlled entities, and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 through IFRS 11. These amendments are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted provided that IFRS 10, IFRS 11, and IFRS 12 are adopted at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

(g) Implication of New and Amended Standards to the Company

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

3. EQUIPMENT

The components of equipment are as follows as of July 31, 2013:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2012	$ 69,681	$ 84,012	$ 153,693
Additions	-	11,653	11,653
Disposals	-	-	-
Closing balance - July 31, 2013	$ 69,681	$ 95,665	$ 165,346

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2012	$ 41,840	$ 44,780	$ 86,620
Amortization	5,164	13,375	18,539
Closing balance - July 31, 2013	$ 47,004	$ 58,155	$ 105,159

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2012	$ 27,841	$ 39,232	$ 67,073
Balance - July 31, 2013	$ 22,677	$ 37,510	$ 60,187

3. EQUIPMENT (Continued)

As of July 31, 2012:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2011	$ 69,681	$ 56,065	$ 125,746
Additions	-	27,947	27,947
Disposals	-	-	-
Closing balance - July 31, 2012	$ 69,681	$ 84,012	$ 153,693

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2011	$ 35,499	$ 35,125	$ 70,624
Amortization	6,341	9,655	15,996
Closing balance - July 31, 2012	$ 41,840	$ 44,780	$ 86,620

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2011	$ 34,182	$ 20,940	$ 55,122
Balance - July 31, 2012	$ 27,841	$ 39,232	$ 67,073

4. 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"). The line of credit is available up to 75% of accounts receivable that are outstanding under 90 days, and 50% of accounts receivable that are outstanding between 90 and 120 days, up to a maximum of $750,000 (2012 - $500,000). The line of credit is repayable on demand, 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%. As of July 31, 2013, the Company had $730,000 (2012 - $442,494) available under its line of credit.

5. COMMITMENTS

The Company has the following lease commitments for premises:

Less than 1 year	$	169,479
1 to 3 years		14,123
More than 5 years		-
	$	183,602

6. SHARE CAPITAL

Authorized

Unlimited number of common shares

Issued and Outstanding

	Number of Common Shares		Amount
Balance - August 1, 2011	32,318,000	$	735,683
Options exercised (i)	50,000		6,950
Balance - July 31, 2012	32,368,000	$	742,633
Options exercised (ii)	150,000		21,000
Balance - July 31, 2013	32,518,000	$	763,633

(i) On July 17, 2012, the Company received cash proceeds of $5,000 and issued 50,000 shares upon the exercise of options at $0.10 per share. The estimated fair value of these options granted on November 20, 2007 in the amount of $1,950 was removed from contributed surplus and allocated to share capital.

(ii) On September 13, 2012, the Company received cash proceeds of $15,000 and issued 150,000 shares upon the exercise of options at $0.10 per share. The estimated fair value of these options granted on October 13, 2011 in the amount of $6,000 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 10% of the number of common shares outstanding at the time of grant.

6. 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, 2013 and 2012 and changes during the years then ended is presented below:

	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of year	3,180,000	$ 0.13	1,475,000	$ 0.10
Granted	-	-	2,200,000	0.15
Exercised (iii)	(150,000)	0.10	(50,000)	0.10
Forfeited/cancelled/expired	(410,000)	0.11	(445,000)	0.10
Outstanding - end of year	2,620,000	$ 0.14	3,180,000	$ 0.13
Exercisable - end of year	2,444,999	$ 0.14	2,067,499	$ 0.13

(iii) The share price on the date of exercise was $0.22 (2012 - $.0.11)

The weighted average remaining contractual life of stock options as of July 31, 2013 is 7.08 years (2012 - 6.78 years).

6. SHARE CAPITAL (Continued)

Stock Option Plan (Continued)

The Company had the following stock options outstanding as of July 31, 2013:

Number of Options Outstanding	Exercise Price $	Expiry Date
450,000	0.10	May 8, 2014
120,000	0.10	March 5, 2015
2,050,000 (iv)	0.15	May 10, 2022
2,620,000		

(iii) On October 13, 2011, the Company granted 150,000 stock options to a director for past services rendered. The options vested immediately, have a life of one year, and have an exercise price of $0.10. The fair value of each stock option was determined to be $0.04.

(iv) On May 10, 2012, the Company granted 2,050,000 stock options to directors, employees, and consultants for past and future services. For the options granted to directors and employees, half vest immediately and the second half vest on the first anniversary date of the grant. For the options granted to consultants, one-third vest immediately, one-third vest on the first anniversary and the final one-third vest on the second anniversary of the grant date. These options have an exercise price of $0.15 and have a life of ten years. The fair value of each stock option was determined to be $0.10.

In the absence of a reliable measurement of the services received from consultants, the related transactions have been measured at the fair value of the stock options granted.

Share Purchase Warrants

The Company issues share purchase warrants as compensation for consulting contracts. No warrants were issued during the years ended July 31, 2013 and 2012.

The Company had the following warrants outstanding as at July 31, 2013:

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

6. SHARE CAPITAL (Continued)

Earnings (Loss) Per Share

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

Numerator:		**2013**		**2012**
Net earnings (loss)	$	349,732	$	(481,434)

Denominator:	**2013**	**2012**
Weighted average number of common shares outstanding - basic	32,500,280	32,319,918
Weighted average effect of diluted stock options and warrants	238,494	-
Weighted average number of common shares outstanding - diluted	32,738,774	32,319,918

Earnings (loss) per share:		**2013**		**2012**
Basic	$	0.011	$	(0.015)
Diluted	$	0.011	$	(0.015)

In the computation of diluted earnings per share during the year ended July 31, 2013, 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.

As the Company incurred a net loss for the year ended July 31, 2012, stock options and warrants are anti-dilutive and have not been included above in the calculation of diluted loss per share.

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:

	2013	**2012**
Common shares outstanding	32,518,000	32,368,000
Vested stock options to purchase common shares	2,444,999	2,067,499
Warrants to purchase common shares	500,000	500,000
Fully diluted common shares outstanding	35,462,999	34,935,499

7. STOCK-BASED COMPENSATION

During the year ended July 31, 2013, stock-based compensation for all warrants and vested options was $79,063 (2012 - $129,202), which was credited to contributed surplus. On the statement of comprehensive loss, stock-based compensation expense was recorded as $57,188 (2012 - $105,140) in salaries and benefits and $21,875 (2012 - $24,062) in consulting fees.

During the year ended July 31, 2013, the Company did not grant any options or issue any warrants (2012 - granted 2,200,000 options and did not issue any warrants). The weighted average fair value of the options granted in the year ended July 31, 2012 was estimated at $0.10 by using the Black-Scholes option pricing model with the following weighted average assumptions:

	2012
Share price	$0.15
Risk-free interest rate	1.15%
Dividend yield	0%
Volatility (based on historical volatility)	117%
Expected life	3 years
Forfeiture rate	0%

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. EXPENSES BY NATURE

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	2013	2012
Rent and occupancy costs	$ 248,683	$ 231,544
Travel	128,443	95,300
Advertising and promotion	61,993	74,281
Telecommunications	50,780	53,745
Other expenses	155,434	175,173
	$ 645,333	$ 630,043

8. EXPENSES BY NATURE (Continued)

Production Costs

The components of production costs are as follows:

		2013		2012
Hosting	$	117,229	$	107,807
Camera and teleprompter		12,508		71,065
Talent		20,283		62,810
Other production costs		101,693		179,922
	$	251,713	$	421,604

9. INCOME TAXES

Current Income Taxes

The following table reconciles income taxes calculated at the combined statutory tax rates of 25.54% (2012 - 27.17%) with the income tax expense in the consolidated financial statements:

		2013		2012
Income taxes on accounting income	$	122,582	$	(148,978)
Tax effect of expenses that are not deductible for income tax purposes		26,251		41,519
Tax on benefit of investment tax credits and other		38,642		35,684
Change in tax rates		3,140		8,348
Change in deferred taxes not recognized		-		(3,458)
Utilization of non-capital tax losses		(60,387)		-
Current income taxes	$	130,228	$	(66,885)

9. INCOME TAXES (Continued)

Current Income Taxes (Continued)

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 approximately $204,701 (2012 - $Nil) of investment tax credits which has been presented as a reduction of the salaries and benefits expense.

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% (2012 - 25.38%):

		2013		2012
Non-capital losses available for carry-forward	$	255	$	74,449
Property and equipment		(2,369)		(4,295)
Share issue costs and other		-		4,295
	$	(2,114)	$	74,449

10. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related party transactions were as follows:

Type of Expense		2013		2012
Salaries and consulting fees (a)	$	514,048	$	535,000
Stock-based compensation (b)		21,938		36,713
	$	535,986	$	571,713

a) Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company.

b) Stock-based compensation for directors is comprised of the vested value of 150,000 options granted on October 13, 2011 with an exercise price of $0.10 per share and 450,000 options granted on May 10, 2012 with an exercise price of $0.15 per share. These options are included within the option grants described in note 6.

11.ECONOMIC DEPENDENCE

Approximately 45% (2012 - 46%) of the Company's sales are made to two customers. The outstanding accounts receivable from these customers as at July 31, 2013 accounted for approximately 43% (2012 - 43%) of the total accounts receivable.

12.FINANCIAL INSTRUMENTS

Credit Risk

BlueRush is exposed to credit risk on its trade accounts receivable. Credit risk is minimized by ensuring the credit worthiness of the entities with which it carries on business. The Company's clients predominantly consist of financial institutions and large public companies, many of whom are repeat clients and have long term relationships with the Company. Management regularly reviews the credit terms and collectability of accounts and for the year ended July 31, 2013 has recorded a bad debts expense of $1,079 (2012 - $4,237).

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

	2013	2012
Current	$ 463,476	$ 1,072,586
Past due less than 90 days	509,497	254,046
Past due greater than 90 days	43,373	87,244
Less: Allowance for doubtful accounts	-	-
	$ 1,016,346	$ 1,413,876

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. 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, 2013, the Company had cash on hand of $1,030,506, accounts receivable of $1,016,346 and $730,000 available on its line of credit to meet working capital requirements.

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

Sensitivity Analysis

As at July 31, 2013, 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.

12. FINANCIAL INSTRUMENTS (Continued)

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.

13.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.

The Company includes the following in its capital:

	2013	2012
Share capital	$ 763,633	$ 742,633
Contributed surplus	333,738	260,675
Retained earnings	941,168	591,436
	$ 2,038,539	$ 1,594,744

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 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, 2013.