

# **BLUERUSH MEDIA GROUP CORP.**

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
OCTOBER 31, 2014  
(Presented in Canadian Dollars)  
(Unaudited)**

# BLUERUSH MEDIA GROUP CORP.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

OCTOBER 31, 2014

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(Unaudited)

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# BLUERUSH MEDIA GROUP CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION AS OF (Presented in Canadian Dollars)

	Note	October 31, 2014 (Unaudited)	July 31, 2014 (Audited)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 1,921,964	\$ 1,624,107
Accounts receivable		615,487	733,129
Prepays and other assets		18,644	23,125
Income taxes and investment tax credits recoverable		678,015	729,405
Unbilled revenue	3	113,371	58,989
Work in process	3	16,496	842
<b>Total Current Assets</b>		<b>3,363,977</b>	<b>3,169,597</b>
<b>Long Term Assets</b>			
Deferred taxes		-	15,305
Equipment	4	45,111	47,119
Intangibles	5	238,331	236,483
<b>Total Long Term Assets</b>		<b>283,442</b>	<b>298,907</b>
<b>Total Assets</b>		<b>\$ 3,647,419</b>	<b>\$ 3,468,504</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	6	\$ 353,641	\$ 403,018
Deferred revenue	3	250,048	395,007
Term loan	7	1,000,000	800,000
<b>Total Current Liabilities</b>		<b>1,603,689</b>	<b>1,598,025</b>
<b>Long Term Liabilities</b>			
Deferred taxes		20,317	-
<b>Commitments</b>	8		
<b>Equity</b>			
Share capital	9	774,883	774,883
Contributed surplus	9	336,551	336,551
Retained earnings		911,979	759,045
<b>Total Equity</b>		<b>2,023,413</b>	<b>1,870,479</b>
<b>Total Liabilities and Equity</b>		<b>\$ 3,647,419</b>	<b>\$ 3,468,504</b>

Approved on Behalf of the Board

(Signed) - "Larry Lubin", Director

(Signed) - "Jim Moriarty", Director

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

# BLUERUSH MEDIA GROUP CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED OCTOBER 31 (Presented in Canadian Dollars) (Unaudited)

	Note	2014	2013
<b>REVENUE</b>		1,185,400	1,379,454
<b>EXPENSES</b>			
Salaries and benefits		\$ 580,303	\$ 556,747
Consulting fees		188,224	251,114
General and administrative	10	114,517	179,761
Production costs	10	56,255	68,228
Professional fees		43,426	41,856
Interest and bank charges		10,922	4,764
Amortization		3,197	3,947
<b>Total Expenses</b>		996,844	1,106,417
<b>EARNINGS BEFORE TAXES</b>		188,556	273,037
Current income taxes		-	70,467
Deferred income taxes		35,622	-
<b>Total Income Taxes</b>		35,622	70,467
<b>NET EARNINGS AND COMPREHENSIVE INCOME</b>		\$ 152,934	\$ 202,570
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC</b>	9	\$ 0.005	\$ 0.006
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC</b>	9	32,593,000	32,518,000
<b>EARNINGS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED</b>	9	\$ 0.005	\$ 0.006
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED</b>	9	32,593,000	35,638,000

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

## BLUERUSH MEDIA GROUP CORP.

### CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 and 2013

(Presented in Canadian Dollars)

(Unaudited)

	Common Shares	Share Capital	Contributed Surplus	Retained Earnings	Total Equity
<b>Balance - August 1, 2013</b>	32,518,000 \$	763,633 \$	333,738 \$	941,168 \$	2,038,539
Net earnings	-	-	-	202,570	202,570
<b>Balance - October 31, 2013</b>	32,518,000 \$	763,633 \$	333,738 \$	1,143,738 \$	2,241,109
<b>Balance - August 1, 2014</b>	32,593,000	774,883	336,551	759,045	1,870,479
Net earnings	-	-	-	152,934	152,934
<b>Balance - October 31, 2014</b>	32,593,000 \$	774,883 \$	336,551 \$	911,979 \$	2,023,413

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

# BLUERUSH MEDIA GROUP CORP.

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED OCTOBER 31 (Presented in Canadian Dollars) (Unaudited)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net earnings	\$ 152,934	\$ 202,570
<b>Items not requiring an outlay of cash:</b>		
Amortization	3,197	3,947
Unrealized gain on foreign exchange	(19,231)	-
Deferred income taxes	35,622	-
<b>Changes in non-cash working capital:</b>		
Accounts receivable	118,694	(131,236)
Prepays and other assets	4,481	2,313
Work in process	(15,654)	(68,910)
Unbilled revenue	(54,382)	32,097
Income taxes and investment tax credits recoverable	51,390	70,467
Accounts payable and accrued liabilities	(49,377)	(68,671)
Deferred revenue	(144,959)	(46,449)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
	82,715	(3,872)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from term loan	200,000	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditures to develop internally generated intangible assets	(37,248)	-
Expenditures recovered to develop internally generated intangible assets	35,400	-
Purchase of equipment	(1,189)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		
	(3,037)	-
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		
	18,179	-
<b>NET INCREASE (DECREASE) IN CASH</b>		
	297,857	(3,872)
<b>CASH, BEGINNING OF YEAR</b>		
	1,624,107	1,030,506
<b>CASH, END OF YEAR</b>		
	\$ 1,921,964	\$ 1,026,634
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 10,922	\$ 3,764
Income taxes paid	\$ -	\$ -

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

# **BLUERUSH MEDIA GROUP CORP.**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars)**

### **I. NATURE OF BUSINESS**

BlueRush Media Group Corp. ("BlueRush" or the "Company") is a digital marketing company which combines leading edge technology with award winning creative television production. The Company was incorporated on April 6, 2004 in the Province of Ontario. BlueRush is listed on the TSX Venture Exchange under the symbol "BTV" and is headquartered at 75 Sherbourne Street in Toronto, Canada.

### **2. BASIS OF PREPARATION**

#### **Statement of Compliance**

These condensed consolidated interim financial statements ("financial statements") have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB").

These financial statements should be read in conjunction with the Company's 2014 annual financial statements.

These financial statements were authorized by the Board of Directors on December 30, 2014.

#### **Basis of Measurement**

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments classified as fair value through profit or loss, which are stated at fair value.

#### **Functional and Presentation Currency**

The functional and presentation currency of the Company and its subsidiary is the Canadian dollar.

#### **Basis of Consolidation**

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

## BLUERUSH MEDIA GROUP CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars)

#### 3. CONTRACT COSTS AND REVENUES

	2014
Costs incurred on contracts in progress	\$ 1,238,877
Profits recognized on contracts in progress	1,111,942
Progress billings	(2,471,000)
	(120,181)
Work in process	16,496
Unbilled revenue	113,371
Deferred revenue	\$ (250,048)

The comparatives for the three months ended October 31, 2013 have not been presented as it is impractical to determine.

#### 4. EQUIPMENT

The components of equipment are as follows as of October 31, 2014.:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	\$ 69,681	\$ 98,865	\$ 168,546
Additions	-	1,189	1,189
Disposals	-	-	-
Closing balance - October 31, 2014	\$ 69,681	\$ 100,054	\$ 169,735

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2014	\$ 51,539	\$ 69,888	\$ 121,427
Amortization	907	2,290	3,197
Closing balance - October 31, 2014	\$ 52,446	\$ 72,178	\$ 124,624

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2014	\$ 18,142	\$ 28,977	\$ 47,119
Balance - October 31, 2014	\$ 17,235	\$ 27,876	\$ 45,111



## BLUERUSH MEDIA GROUP CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars)

#### 5. INTANGIBLES

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

<b>Cost</b>	
Opening balance - August 1, 2014	\$ 236,483
Additions	37,248
Recoveries of expenditures	(35,400)
Disposals	-
Closing balance - October 31, 2014	\$ 238,331

The above internally developed intangible assets are not yet in service therefore the amortization period has not yet commenced.

#### 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	<b>October 31, 2014</b>	<b>July 31, 2014</b>
Trade accounts payable	\$ 127,045	\$ 131,326
Accrued liabilities	90,778	135,746
Accrued vacation pay and other employee benefits	64,546	59,861
Government remittances payable	71,272	76,085
	\$ 353,641	\$ 403,018

#### 7. LINE OF CREDIT AND TERM LOAN

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 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. As of October 31, 2014, the Company has \$Nil in use and \$951,714 available under the line of credit.

## BLUERUSH MEDIA GROUP CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars)

#### 7. CREDIT FACILITY AND TERM LOAN (Continued)

In July 2014 the Company entered into a new term loan with CIBC in the amount of \$800,000 which was increased to \$1,000,000 during the three months ended October 31, 2014. The term loan is interest-bearing at the CIBC prime rate plus 0.25% per annum. Interest only payments are required until January 2015 (6 months), thereafter monthly principal payments of \$27,778 are due until January 2018 (36 months).

The line of credit and term loan are repayable on demand and secured by a general security agreement covering all the assets of the parent and subsidiary corporations. Since the term loan is due on demand, it has been presented as a current liability on the statement of financial position. Principal scheduled repayments on the term loan are due as follows:

2015 (Nine months)	\$	249,994
2016		333,336
2017		333,336
2018		83,334
	\$	1,000,000

#### 8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	91,178
Two to five years		378,224
More than five years		7,880
	\$	477,282

#### 9. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 32,593,000 common shares issued and outstanding as at October 31, 2014 and July 31, 2014.

## BLUERUSH MEDIA GROUP CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars)

#### 9. SHARE CAPITAL (Continued)

##### Stock Option Plan

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

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,170,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of year	2,170,000	\$ 0.15
Exercisable - end of year	2,170,000	\$ 0.15

The weighted average remaining contractual life of stock options as of October 31, 2014 is 7.13 years (July 31, 2014 - 7.38 years).

The Company had the following stock options outstanding as of October 31, 2014:

Number of Options Outstanding	Exercise Price \$	Expiry Date
120,000	0.10	March 5, 2015
2,050,000	0.15	May 10, 2022
2,170,000		

##### Share Purchase Warrants

The Company issues share purchase warrants as compensation for consulting contracts. No warrants were issued during the three months ended October 31, 2014.

The Company had the following warrants outstanding as at October 31, 2014:

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

## BLUERUSH MEDIA GROUP CORP.

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013

(Presented in Canadian Dollars)

(Unaudited)

#### 10. EXPENSES BY NATURE

##### General and Administrative Expenses

The components of general and administrative expenses for the three months ended October 31 are as follows:

	2014	2013
Rent and occupancy costs	\$ 54,510	\$ 85,833
Travel	20,958	28,867
Advertising and promotion	16,817	5,531
Telecommunications	9,264	11,062
Other expenses	12,968	53,232
	\$ 114,517	\$ 184,525

##### Production Costs

The components of production costs for the three months ended October 31 are as follows:

	2014	2013
Hosting	\$ 25,672	\$ 35,060
Camera and teleprompter	8,503	4,903
Talent	3,116	11,392
Other production costs	18,964	16,873
	\$ 56,255	\$ 68,228

#### 11. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company's related party transactions for the three months ended October 31, 2014 were only compensation to key management personnel.

Key management personnel are defined as those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. Included in salaries and benefits expense is an amount of \$103,904 (three months ended October 31, 2013 - \$93,461) for compensation paid to key management personnel.

# BLUERUSH MEDIA GROUP CORP.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013 (Presented in Canadian Dollars) (Unaudited)

### 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 three months ended October 31, 2014 has recorded a bad debts expense of \$237 (three months ended October 31, 2013 - 22,480).

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

	October 31, 2014	July 31, 2014
Current	\$ 359,878	\$ 368,941
Past due less than 90 days	242,310	364,188
Past due greater than 90 days	13,299	-
Less: Allowance for doubtful accounts	-	-
	\$ 615,487	\$ 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 loan which is repayable in 36 monthly instalments of \$22,222 beginning in January 2015. 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 October 31, 2014, the Company had cash on hand of \$1,921,964, accounts receivable of \$615,487 and \$951,714 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 October 31, 2014, 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.

# **BLUERUSH MEDIA GROUP CORP.**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED OCTOBER 31, 2014 AND 2013**

**(Presented in Canadian Dollars)**

**(Unaudited)**

### **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.