BlueRush Media Group Corp.

Consolidated Financial Statements

For the Years Ended July 31, 2010 and 2009

Collins Barrow

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AUDITORS' REPORT

To the Shareholders of
BlueRush Media Group Corp.

We have audited the consolidated balance sheets of BlueRush Media Group Corp. as at July 31, 2010 and 2009 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2010 and 2009 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 12, 2010
Toronto, Ontario

BlueRush Media Group Corp.

Consolidated Balance Sheets
As at July 31, 2010 and 2009

	Notes	2010	2009
Assets			
Current			
Cash		**$ 284,752**	$ 166,957
Accounts receivable trade and other		**1,195,419**	790,298
Prepaids		**13,658**	11,884
Income taxes and investment tax credits recoverable		**173,608**	42,135
Work in process		**13,079**	-
		1,680,516	1,011,274
Capital Assets	4	**59,099**	64,539
		$ 1,739,615	$ 1,075,813
Liabilities			
Current			
Accounts payable and accrued liabilities		**$ 407,010**	$ 141,341
Deferred revenue		**21,470**	43,260
		428,480	184,601
Due to related party	5	**2,228**	10,022
		430,708	194,623
Shareholders' Equity			
Capital stock	6	**735,683**	735,683
Contributed surplus	7	**64,918**	30,414
Retained earnings		**508,306**	115,093
		1,308,907	881,190
		$ 1,739,615	$ 1,075,813

Commitments (Note 10)

Approved by the Board ____________Director ____________Director

See accompanying notes to the consolidated financial statements.

BlueRush Media Group Corp.

Consolidated Statements of Earnings and Retained Earnings
For the Years Ended July 31, 2010 and 2009

	Notes	2010	2009
Revenue	12	**$ 3,650,579**	$ 2,889,501
Expenses			
Salaries and benefits		**1,535,288**	1,851,276
Production costs		**353,723**	226,953
Consulting fees	16	**654,309**	488,315
Professional fees		**51,121**	44,104
Stock based compensation	9	**34,504**	16,405
General and administrative		**454,678**	372,612
Amortization		**16,660**	17,558
		3,100,283	3,017,223
Income (loss) before income taxes		**550,296**	(127,722)
Provision for (recovery of) income taxes	11	**157,083**	(42,135)
Net income (loss)		**393,213**	(85,587)
Retained earnings at beginning of year		**115,093**	200,680
Retained earnings at end of year		**$ 508,306**	$ 115,093
Earnings (loss) per share - basic and diluted		**$ 0.012**	$ (0.003)
Weighted average number of common shares outstanding – basic and diluted		**32,318,000**	32,318,000

See accompanying notes to consolidated financial statements.

BlueRush Media Group Corp.

Consolidated Statements of Cash Flows
For the Years Ended July 31, 2010 and 2009

	2010	2009
Cash flows (used in) from operating activities		
Net income (loss) for the year	$ 393,213	$ (85,587)
Items not affecting cash		
Amortization	16,660	17,558
Stock based compensation	34,504	16,405
	444,377	(51,624)
Changes in non-cash working capital balances		
Accounts receivable	(405,121)	(217,852)
Prepaids	(1,774)	(766)
Work in process	(13,079)	-
Income taxes recoverable	(131,473)	(137,689)
Accounts payable and accrued liabilities	265,669	(84,068)
Deferred revenue	(21,790)	43,260
	136,808	(448,739)
Cash flows used in financing activities		
Repayment of advances to related party	(7,794)	-
Cash flows used in investing activities		
Purchase of equipment	(11,220)	-
Increase (decrease) in cash during the year	117,795	(448,739)
Cash at beginning of year	166,957	615,696
Cash at end of year	$ 284,752	$ 166,957

Supplemental cash flow information:

	2010	2009
Income taxes paid	$ 98,954	$ -
Interest paid	10,174	-
	$ 10,174	$ -

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

BlueRush Media Group Corp. ("the Company"), with its head office in Toronto, Ontario, was incorporated on April 6, 2004 under 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 these consolidated financial statements in Canadian dollars and in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Basis of Presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, BlueRush. All inter-company accounts and transactions are eliminated upon consolidation.

Property and Equipment

Property and equipment are recorded at cost and are amortized over their estimated useful lives, at the following annual rates:

Computer equipment	- 30%, declining balance basis
Furniture and fixtures	- 20%, declining balance basis

Impairment of Long-Lived Assets

Long-lived assets comprise property and 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 carrying value of the asset over its fair value.

Investment Tax Credit

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 (Cont'd)

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, 2010 or as at July 31, 2009.

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 of 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 8. 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.

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 substantively 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 the useful lives of property and equipment for amortization purposes, amounts recorded as accrued liabilities, valuation allowance on future tax assets, income tax credits and accounts receivables, and the fair values of financial instruments and stock based compensation.

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
Due to related party	Other financial liabilities

Financial assets and liabilities classified as held for trading are measured at fair values at each reporting period with changes in fair value in subsequent periods included in operations.

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

Comprehensive Income

Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available for sale securities, net of income taxes. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Capital Disclosures

CICA Handbook Section 1535 specifies the disclosure 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 13 to these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

Effective August 1, 2009, the Company adopted prospectively the following new CICA Handbook accounting standards for interim and annual financial statements:

(a) The CICA Handbook Section 3064, Goodwill and Intangible Assets, which replaced CICA Handbook sections 3062 and 3450, Emerging Issues Committee ("EIC") 27 and part of Accounting Guideline 11. The objectives of CICA 3064 are to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition and to clarify the application of the concept of matching revenue and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The portions in the new standard with respect to goodwill remain unchanged. The provisions relating to the definition and initial recognition of intangible assets intends to reduce the differences with International Financial Reporting Standards ("IFRS") in the accounting for intangible assets. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities), ensuring consistent treatment of all intangible assets. The adoption of this standard did not have an effect on the financial position or results of operations of the Company.

(b) In January 2009, the CICA's EIC concluded that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of incorporating credit risk into the fair value should result in entities re-measuring the financial assets and financial liabilities as at the beginning of the period of adoption. This abstract should be applied retrospectively without restatement of prior periods to all financial assets and liabilities measured at fair value in interim and annual financial statements for periods ending on or after January 20, 2009. Retrospective application with restatement of prior periods is also permitted. The adoption of this standard did not impact the financial position or results of operations of the Company.

3. CHANGES IN ACCOUNTING POLICIES (Cont'd)

(c) In June 2009, the Canadian Accounting Standards Board ("AcSB") issued the amendments to CICA Handbook Section 3862, Financial Instruments - Disclosures, which reflect the corresponding amendments made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009. The amendments require that all financial instruments measured at fair value be presented into one of the three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

(i) Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.

(ii) Level 2: Valuation models which utilize predominately observable market inputs.

(iii) Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Section 3862 also require additional disclosure relating to the liquidity risk associated with financial instruments (see note 14). The amendments improve disclosure of financial instruments specifically as it relates to fair value measurements and liquidity risk. The adoption of the amendments did not impact the Company's financial position or results of operations. The Company only has Level 1 financial instruments and no amounts have been transferred between Levels during the year.

4. PROPERTY AND EQUIPMENT

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**

As at July 31, 2009

	Cost	Accumulated Amortization	Net 2009
Computer equipment	$ 39,991	$ 19,301	$ 20,690
Furniture and fixtures	62,883	19,034	43,849
	$ 102,874	$ 38,335	$ 64,539

5. DUE TO RELATED PARTY

Amount due to an officer and director of the Company is non-interest bearing, unsecured, and due on demand. During the year, $7,794 (2009 – NIL) was repaid to the officer and director has agreed not to demand repayment of the balance of the advance before August 1, 2011 and accordingly, the amount has been classified as long term on the balance sheet.

6. CAPITAL STOCK

Authorized
unlimited Common shares

Issued - common shares

	Number	Stated Value
Balance, July 31, 2010 and 2009	**32,318,000**	$ 735,683

7. CONTRIBUTED SURPLUS

The following summarizes the change in contributed surplus:

	2010	2009
Balance, beginning of year	$ 30,414	$ 14,009
Stock-based compensation (Note 9)	34,504	16,405
Balance, end of year	$ 64,918	$ 30,414

8. STOCK OPTIONS

Stock Option Plan

Pursuant to resolutions of the Board of Directors, a Stock Option Plan (the "Plan") has been established. The aggregate number of common shares reserved for issuance under the Plan will not exceed 10% of the total issued and outstanding common shares. The Plan is available to the Company's directors, officers, employees and consultants. Options granted pursuant to the Plan will have terms not to exceed five years, and are granted at an option price which will not be less than the fair market price at the time the options are granted. Options vest over a period not to exceed three years and have an expiry date of five years from date of grant.

The following summarizes the stock option activities:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning balance	**2,115,850**	**$ 0.10**	1,525,850	$ 0.10
Granted	**430,000**	**0.10**	590,000	0.10
Expired	**(855,850)**	**0.10**	-	-
Outstanding, end of year	**1,690,000**	**$ 0.10**	2,115,850	$ 0.10
Exercisable	**898,333**	**$ 0.10**	1,242,517	$ 0.10

The Company had the following stock options outstanding under the Plan at July 31, 2010. Each option granted allows the holder to purchase one common share at the exercise price.

Number of Options	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 (i)	$ 0.10	March 5, 2015
250,000 (i)	$ 0.10	March 15, 2015
1,690,000		

(i) Issued to directors on March 5, 2010. Options vest as to 50% at the date of grant and 50% on March 5, 2011.

(ii) Issued to consultant on March 15, 2010. Options vest as to one third at the date of grant and as to one third on March 15, 2011 and one third on March 15, 2012.

The effect of these options was excluded from the computation of diluted loss per share, as they are anti-dilutive.

9. STOCK-BASED COMPENSATION

During the year ended July 31, 2010, stock-based compensation for all vested options was $34,504 (2009 - $16,405), which was credited to contributed surplus. During fiscal 2010, the Company granted 430,000 (2009 – 590,000) options to directors and a consutlant of the Company. The weighted average fair value of the options granted in fiscal year 2010 was estimated at $0.09 (2009 - $0.05) by using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	2010	2009
Risk-free interest rate	2.00%	2.19%
Dividend yield	0%	0%
Volatility	170%	187%
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.

10. COMMITMENTS

(a) The Company has the following lease commitments for premises.

2011	$	130,801
2012		117,594
2013		68,384
	$	**316,779**

(b) The Company has entered into a consulting contract in which it has granted the Consultant, 750,000 stock options at a strike price of not less than $0.10 per option and as determined by the value of Company stock at the time such shares granted. Options will be provided as follows: 250,000 at the time of contract signing and was granted in March 15, 2010, and 250,000 in 90 days thereafter, 250,000 in next 90 days thereafter and exercisable over a 5 year term.

(i) The Consultant will also receive 6% commission based on first three years of the business opportunity it brings to the Company. The commission will be paid when such money is received from the contract and not before.

10. COMMITMENTS (Cont'd)

(ii) The Company shall pay the Consultant 3% of sales delivered through distribution channel partners established with their assistance. The commission will last for 5 years after signing up the channel partner.

(iii) If within 2 years post contract signing, with the Consultant, the Company revenues exceed $10 million, and this increase is a result of the channels or ideas that the Consultant directed to the Company, then the Company shall provide the Consultant a bonus consisting of $50,000, payable in either cash or stock at the discretion of the Consultant. Both parties have also agreed to a subsequent bonus of $75,000 payable in either cash of stock at the discretion of the Consultant, when the Company's revenues reaches $20 million, within five years of the engagement and this increase is attributed to channels directed to the Company by the Consultant.

(iv) If the Company required capital to be raised to support the execution of the contract with the Consultant, the Company shall pay the Consultant 7% commission and 7% broker warrants on any financing raised with the assistance of the Consultant. This is only based on the assumption that the Consultant is raising the money and no other parties are receiving such compensation.

11. INCOME TAXES

(i) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in the financial statements:

	2010	2009
Earnings (loss) before income taxes	**$ 550,296**	$(127,722)
Statutory rate	**31.79%**	33.29%
Expected income tax expense (recovery)	**$ 174,939**	$ (42,519)
Non-deductible expenses and other	**19,739**	5,074
Change in valuation allowance relating to operations	**(6,014)**	(4,690)
Under provision in prior years	**74,082**	-
Benefit of ITC not previously recognized and other	**(105,663)**	-
Income tax expense (recovery)	**$ 157,083**	$ (42,135)

11. INCOME TAXES (Cont'd)

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 $374,000 of investment tax credits which has been presented as a reduction of the salaries and benefits expense.

(ii) **Future Income Taxes**

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

	2010	2009
Amounts related to tax loss carry forwards	**$ 39,068**	$ 34,003
Property and equipment	**(5,489)**	(2,929)
Share issue costs	**10,352**	18,871
	43,931	49,945
Less: Valuation allowance	**(43,931)**	(49,945)
	$ -	$ -

(iii) As at July 31, 2010, the Company has income tax losses of $156,271 which are available to reduce future taxable income. The losses expire as follows:

2015	$ 19,959
2026	56,461
2027	31,985
2029	8,845
2030	39,021
	$156,271

No future tax asset has been recognized with respect to the above tax losses.

12. ECONOMIC DEPENDENCE

Approximately 41% (2009 - 53%) of the Company's sales are made to two customers. The outstanding accounts receivable from these customers as at July 31, 2010 accounted for approximately 26% (2009 - 39%) of the total accounts receivable.

13. CAPITAL MANAGEMENT

The Company considers capital stock, 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:

	2010	2009
Shareholders' equity comprised of		
Capital stock	**735,683**	735,683
Contributed surplus	**64,918**	30,414
Retained earnings	**508,306**	115,093
	$ 1,308,907	$ 881,190

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 shareholder 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, 2010.

14. FINANCIAL INSTRUMENTS

Fair Value

The carrying values of accounts receivable, accounts payable and accrued liabilities approximate fair values due to the relatively short term of these instruments. Advances from related parties are non-interest bearing and do not have fixed terms of repayment. As such the fair value is not reliably determinable.

Credit Risk

Credit risk arises from the possibility that the entities to which the Company provides services may experience financial difficulties and be unable to fulfill their contractual obligations. The Company mitigates its credit risk by setting credit policies and by proactively managing the credit exposure to individual accounts. The Company is exposed to significant credit risk to two customers as described in Note 12.

Liquidity risk

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.

The following table shows the Company's liabilities and potential due dates related to the liquidity risk as at July 31, 2010:

	Payments due by period				
	Total	Less than 1 year	1 – 3 year	4 – 5 year	After 5 years
Accounts payable and accrued liabilities	$407,010	$407,010	$ -	$ -	$ -
	$407,010	$407,010	$ -	$ -	$ -

15. FUTURE ACCOUNTING CHANGES

Recent accounting pronouncement:

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

The Company has initiated an IFRS transition project. A diagnostic impact assessment report on the transition to IFRS has been completed and the Company is in the process of preparing a detailed convergence plan which will be completed by the end of the second quarter of 2011.

16. 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.

(a) During the year, the Company granted 180,000 options to its directors (see note 8).

(b) During the year, the Company repaid $7,794 of its advances from an officer and directors of the Company (see note 5).

(c) Included in consulting expenses is an amount of $12,500 (2009 – NIL) for consulting fees paid to a Company owned by the Chief Financial Officer for services rendered.

(d) Included in consulting expenses is an amount of $61,300 (2009 – $49,797) for consulting fees paid to a Company owned by the former Chief Financial Officer for services rendered.

17. SUBSEQUENT EVENT

The company granted 250,000 options at $0.10 to a consultant in August 2010 (see note 10 (b)).