

BLUERUSH MEDIA GROUP CORP.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED OCTOBER 31, 2017
(Presented in Canadian Dollars)
(Unaudited)**

BLUERUSH MEDIA GROUP CORP.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017

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(Unaudited)

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BLUERUSH MEDIA GROUP CORP.

NOTICE TO READER

Responsibility for Financial Statements

The accompanying unaudited condensed consolidated interim financial statements ("the financial statements") of BlueRush Media Group Corp. (the "Company") as at and for the three months ended October 31, 2017 and 2016 have been prepared by the Company's management in accordance with International Financial Reporting Standards applicable to the financial statements (see note 2 to the financial statements). Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditors' Involvement

RSM Canada (formerly Collins Barrow Toronto LLP), the external auditors of the Company, have not audited or performed review procedures applicable to auditor review of these financial statements as at and for the three months ended October 31, 2017 and 2016 nor have they conducted any procedures with respect to the supplementary financial schedules herein.

BLUERUSH MEDIA GROUP CORP.

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

	Note	October 31, 2017 (Unaudited)	July 31, 2017 (Audited)
ASSETS			
Current Assets			
Cash		\$ 2,195,746	\$ 1,005,383
Accounts receivable		412,348	632,697
Prepays and other assets		20,226	28,025
Investment tax credits refundable		227,896	227,896
Unbilled revenue	3	16,177	30,685
Work in process	3	6,357	5,984
Total Current Assets		2,878,750	1,930,670
Long Term Assets			
Equipment	4	27,929	29,929
Intangibles	5	498,139	535,278
Total Long Term Assets		526,068	565,207
Total Assets		\$ 3,404,818	\$ 2,495,877
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	6	\$ 587,204	\$ 591,928
Deferred revenue	3	151,470	164,248
Term loans - current portion	7	202,383	268,584
Total Current Liabilities		941,057	1,024,760
Long Term Liabilities			
Term loans	7	790,155	788,400
Deferred taxes		125,913	125,913
Total Long Term Liabilities		916,068	914,313
Commitments	8		
Equity			
Share capital	9	1,495,500	774,883
Contributed surplus	9	905,572	336,551
Deficit		(853,379)	(554,630)
Total Equity		1,547,693	556,804
Total Liabilities and Equity		\$ 3,404,818	\$ 2,495,877
Approved on Behalf of the Board			
(Signed) - "Larry Lubin", Director		(Signed) - "John Eckert", 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 LOSS FOR THE THREE MONTHS ENDED OCTOBER 31 (Presented in Canadian Dollars) (Unaudited)

	Note	2017	2016
REVENUE			
Subscriptions and support		\$ 279,118	\$ 226,379
Services		425,266	742,975
Interest		2,407	2,514
		706,791	971,868
COST OF SALES			
Subscriptions and support	10	86,556	145,010
Services	10	212,438	282,872
		298,994	427,882
GROSS PROFIT		407,797	543,986
EXPENSES			
General and administrative	10	262,273	212,434
Research and development	10	261,322	239,104
Sales and marketing	10	123,445	137,020
Interest and bank charges		20,367	20,915
Amortization of intangible assets		37,139	14,697
Amortization of equipment		2,000	2,583
Total Expenses		706,546	626,753
LOSS BEFORE TAXES		(298,749)	(82,767)
Deferred income taxes		-	(13,923)
NET LOSS AND COMPREHENSIVE LOSS		\$ (298,749)	\$ (68,844)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC			
		\$ (0.008)	\$ (0.002)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC			
		35,781,404	32,593,000
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - DILUTED			
		\$ (0.008)	\$ (0.002)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - DILUTED			
		38,969,808	32,593,000

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, 2017 and 2016

(Presented in Canadian Dollars)

(Unaudited)

	Note	Common Shares	Share Capital	Contributed Surplus	Retained Earnings (Deficit)	Total Equity
Balance - August 1, 2016		32,593,000	\$ 774,883	\$ 336,551	\$ 1,082,043	\$ 2,193,477
Net loss		-	-	-	(68,844)	(68,844)
Balance - October 31, 2016		32,593,000	\$ 774,883	\$ 336,551	\$ 1,013,199	\$ 2,124,633
Balance - August 1, 2017		32,593,000	774,883	336,551	(554,630)	556,804
Net loss		-	-	-	(298,749)	(298,749)
Issuance of common shares, net of share issuance costs	9	24,444,433	1,289,638	-	-	1,289,638
Warrants issued	9	-	(569,021)	569,021	-	-
Balance - October 31, 2017		57,037,433	\$ 1,495,500	\$ 905,572	\$ (853,379)	\$ 1,547,693

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)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (298,749)	\$ (68,844)
Items not requiring an outlay of cash:		
Amortization of equipment	2,000	2,583
Amortization of intangibles	37,139	14,697
Unrealized gain on foreign exchange	(14,844)	(30,793)
Term loan transaction cost accretion	1,755	1,656
Deferred income taxes	-	(13,923)
Changes in non-cash working capital:		
Accounts receivable	220,964	(59,124)
Prepays and other assets	7,799	4,464
Work in process	(373)	-
Unbilled revenue	14,508	(35,099)
Investment tax credits refundable	-	172,740
Accounts payable and accrued liabilities	(4,724)	(101,268)
Deferred revenue	(12,778)	34,988
NET CASH USED IN OPERATING ACTIVITIES	(47,303)	(77,923)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares, net of share issuance costs	1,289,638	-
Proceeds from term loan, net of transaction costs	-	99,000
Repayment of term loans	(66,201)	(62,482)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,223,437	36,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures to develop internally generated intangible assets	-	(111,318)
Purchase of equipment	-	(3,323)
NET CASH USED IN INVESTING ACTIVITIES	-	(114,641)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	14,229	26,901
NET INCREASE (DECREASE) IN CASH	1,190,363	(129,145)
CASH, BEGINNING OF PERIOD	1,005,383	2,068,136
CASH, END OF PERIOD	\$ 2,195,746	\$ 1,938,991
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 18,612	\$ 19,260
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, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

I. NATURE OF BUSINESS

BlueRush Media Group Corp. ("BlueRush" or the "Company"), through its wholly owned subsidiary, BlueRush Digital Media Corp., offers a SaaS-based marketing and sales enablement platform that enables organizations to achieve greater engagement with their customers. The Company was incorporated on April 6, 2004 in the Province of Ontario. The Company 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 2017 annual financial statements.

These financial statements were authorized by the Board of Directors on December 29, 2017.

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, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

3. CONTRACT COSTS AND REVENUES

	Three months ended October 31, 2017	Three months ended October 31, 2016
Costs incurred on contracts in progress	\$ 99,634	\$ 332,128
Profits recognized on contracts in progress	45,190	445,140
Progress billings	(273,760)	(960,656)
	(128,936)	(183,388)
Presented as:		
Work in process	6,357	-
Unbilled revenue	16,177	54,612
Deferred revenue	\$ (151,470)	\$ (238,000)

4. EQUIPMENT

The components of equipment are as follows as of October 31, 2017:

Cost	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	\$ 69,681	\$ 112,493	\$ 182,174
Additions	-	-	-
Disposals	-	-	-
Closing balance - October 31, 2017	\$ 69,681	\$ 112,493	\$ 182,174

Accumulated Amortization	Furniture and Fixtures	Computer Equipment	Total
Opening balance - August 1, 2017	\$ 59,878	\$ 92,367	\$ 152,245
Amortization	490	1,510	2,000
Closing balance - October 31, 2017	\$ 60,368	\$ 93,877	\$ 154,245

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

4. EQUIPMENT (Continued)

Carrying Value	Furniture and Fixtures	Computer Equipment	Total
Balance - August 1, 2017	\$ 9,803	\$ 20,126	\$ 29,929
Balance - October 31, 2017	\$ 9,313	\$ 18,616	\$ 27,929

5. INTANGIBLES

The components of internally generated intangible assets are as follows as of October 31, 2017:

Cost	Available for Use	Under Development	Total
Opening balance - August 1, 2017	\$ 713,857	\$ -	\$ 713,857
Additions	-	-	-
Recoveries of expenditures	-	-	-
Disposals	-	-	-
Closing balance - October 31, 2017	\$ 713,857	\$ -	\$ 713,857

Accumulated Amortization

Opening balance - August 1, 2017	\$ 178,579	\$ -	\$ 178,579
Amortization	37,139	-	37,139
Closing balance - October 31, 2017	\$ 215,718	\$ -	\$ 215,718

Carrying Value

Balance - August 1, 2017	\$ 535,278	\$ -	\$ 535,278
Balance - October 31, 2017	\$ 498,139	\$ -	\$ 498,139

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	October 31, 2017	July 31, 2017
Trade accounts payable	\$ 102,798	\$ 64,291
Accrued liabilities	91,251	132,008
Accrued vacation pay and other employee benefits	134,591	132,645
Government remittances payable	48,564	52,984
Customer deposits	210,000	210,000
	\$ 587,204	\$ 591,928

7. TERM LOANS

	October 31, 2017	July 31, 2017
Investissement Quebec (i)	\$ 733,328	\$ 983,333
Business Development Bank of Canada (ii)	279,320	245,440
Transaction costs	(20,110)	(26,487)
	992,538	1,202,286
Current portion	(202,383)	(249,900)
	\$ 790,155	\$ 952,386

- (i) In June and July 2015 the Company received a term loan from Investissement Quebec ("IQ") in the amount of \$1,000,000 to fund working capital needs. The term loan is interest-bearing at prime rate plus 3.15% per annum. Interest only payments were required until June 2016 (12 months), thereafter monthly principal payments of \$16,665 plus interest are due until May 2021 (59 months), with the final payment of \$16,765 due June 2021. The loan is secured by a universal mortgage on all present and future assets, including a first ranking on tax credits. Two current directors / officers of the Company have personally guaranteed a total of \$50,000 of the loan.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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7. TERM LOANS (Continued)

- (ii) In July 2015, the Company received a term loan from the Business Development Bank of Canada ("BDC") in the amount of \$250,000 to fund working capital needs. The term loan is interest-bearing at BDC's Floating Base Rate plus 2.5% per annum. The first monthly principal payment of \$4,560 plus interest was paid in July 2016, thereafter monthly principal payments of \$4,160 plus interest are due until June 2021 (59 months). Two current directors / officers of the Company have personally guaranteed 64% of the outstanding balance of the loan, and the Company has guaranteed the full amount of the outstanding commitment of the loan. In October 2016, the Company received an additional \$100,000, less transactions costs of \$2,000, with the same terms and conditions stated above except the first monthly principal payment of \$2,060 plus interest was paid in September 2017, thereafter monthly principal payments of \$1,660 plus interest are due until August 2022 (59 months).

Principal scheduled repayments under the term loans are due as follows:

2018 (Nine months)	\$	202,383
2019		269,844
2020		269,844
2021		248,997
2022		21,580
Thereafter		-
	\$	1,012,648

8. COMMITMENTS

The Company has the following lease commitments for premises:

Less than one year	\$	96,936
Two to five years		125,564
More than five years		-
	\$	222,500

9. SHARE CAPITAL

The Company has authorized an unlimited number of common shares and has 57,037,433 common shares issued and outstanding as at October 31, 2017 (32,593,000 as at July 31, 2017).

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

On October 19, 2017, the Company closed a non-brokered private placement and issued:

- 19,999,992 units at a price of \$0.05 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.05 for a period of 24 months from the date of issuance.
- 4,444,441 units at a price of \$0.0675 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.0675 for a period of 24 months from the date of issuance.

Share issuance costs of \$10,362 were incurred related to the above and was deducted from share capital.

Stock Option Plan

A summary of the status of the Company's stock options as at October 31, 2017 and changes during the three months then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding - beginning of period	1,375,000	\$ 0.15
Granted	-	-
Exercised	-	-
Forfeited/cancelled/expired	-	-
Outstanding - end of period	1,375,000	\$ 0.15
Exercisable - end of period	1,375,000	\$ 0.15

The weighted average remaining contractual life of stock options as of October 31, 2017 is 4.53 years (July 31, 2017 - 4.78 years).

The Company had the following stock options outstanding as of October 31, 2017:

Number of Options Outstanding	Exercise Price \$	Expiry Date
1,375,000	0.15	May 10, 2022

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016

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(Unaudited)

9. SHARE CAPITAL (Continued)

Share Purchase Warrants

On October 19, 2017 the Company issued 19,999,992 units at a price of \$0.05 per unit for gross proceeds of \$1,000,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.05 for a period of 24 months from the date of issuance. The estimated fair value of these warrants, as of the grant date, were determined to be \$448,950 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 118%; risk free interest rate of 1.55%; and expected life of one year.

On October 19, 2017 the Company issued 4,444,441 units at a price of \$0.0675 per unit for gross proceeds of \$300,000. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire a common share at a price of \$0.0675 for a period of 24 months from the date of issuance. The estimated fair value of these warrants, as of the grant date, were determined to be \$120,071 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility of 118%; risk free interest rate of 1.55%; and expected life of two years.

A summary of the status of the Company's warrants as at October 31, 2017 and changes during the three months then ended is presented below:

	Number of Warrants	Weighted Average Exercise Price
Outstanding - beginning of period	-	\$ -
Granted	24,444,433	0.0532
Exercised	-	-
Expired	-	-
Outstanding - end of period	24,444,433	\$ 0.0532

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

9. SHARE CAPITAL (Continued)

Share Purchase Warrants (Continued)

The Company had the following warrants outstanding as at October 31, 2017:

Number of Warrants Outstanding	Exercise Price \$	Expiry Date	Remaining Life (Years)
19,999,992	0.05	October 19, 2019	1.97
4,444,441	0.0675	October 19, 2019	1.97
24,444,433			

10. EXPENSES BY NATURE

Cost of Sales - Subscriptions and Support

The components of cost of sales - subscription and support are as follows:

	Three months ended October 31, 2017	Three months ended October 31, 2016
Hosting expense	\$ 41,889	\$ 43,191
Subcontracting	28,173	62,759
Salaries and benefits	16,494	39,060
	\$ 86,556	\$ 145,010

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016 (Presented in Canadian Dollars) (Unaudited)

10. EXPENSES BY NATURE (Continued)

Cost of Sales - Services

The components of cost of sales - services are as follows:

	Three months ended October 31, 2017	Three months ended October 31, 2016
Salaries and benefits	\$ 182,430	\$ 182,190
Subcontracting	23,572	39,185
Other production costs	6,116	41,294
Camera and teleprompter	260	19,373
Talent	60	830
	\$ 212,438	\$ 282,872

General and Administrative Expenses

The components of general and administrative expenses are as follows:

	Three months ended October 31, 2017	Three months ended October 31, 2016
Salaries and benefits	\$ 122,660	\$ 108,827
Rent and occupancy costs	46,612	50,678
Professional fees	38,695	42,500
Consulting fees	33,693	6,000
Telecommunications	10,619	10,763
Computer and software	9,589	7,895
Other office and administrative	8,690	11,048
Insurance	4,385	4,464
Stock exchange expense	2,565	1,033
Training and recruitment	-	215
Foreign exchange	(15,235)	(30,989)
	\$ 262,273	\$ 212,434

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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10. EXPENSES BY NATURE (Continued)

Research and Development Expenses

The components of research and development expenses are as follows:

	Three months ended October 31, 2017	Three months ended October 31, 2016
Salaries and benefits	\$ 216,261	\$ 176,116
Subcontracting	45,061	62,988
	\$ 261,322	\$ 239,104

Sales and Marketing Expenses

The components of sales and marketing expenses are as follows:

	Three months ended October 31, 2017	Three months ended October 31, 2016
Advertising and promotion	\$ 47,304	\$ 26,595
Salaries and benefits	39,579	21,169
Travel	24,884	26,503
Consulting fees	8,871	57,998
Meals and entertainment	2,807	4,755
	\$ 123,445	\$ 137,020

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, 2017 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. For the three months ended October 31, 2017 the Company paid \$121,404 (three months ended October 31, 2016 - \$116,229) 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, 2017 AND 2016

(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, 2017 has recorded a bad debts expense of \$Nil (three months ended October 31, 2016 - \$Nil).

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

	October 31, 2017	July 31, 2017
Current	\$ 306,005	\$ 379,097
Past due less than 90 days	38,028	222,202
Past due greater than 90 days	68,315	31,398
Less: Allowance for doubtful accounts	-	-
	\$ 412,348	\$ 632,697

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 loans which are repayable in 60 monthly instalments of approximately \$16,665 and \$4,160 beginning in July 2016 and \$1,660 beginning in September 2017. 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, 2017, the Company had cash on hand of \$2,195,746 and accounts receivable of \$412,348 to meet working capital requirements.

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

Market Risk

The Company is exposed to risks from changes in foreign exchange rates and interest rates that affect its financial liabilities, financial assets and future transactions.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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12. FINANCIAL INSTRUMENTS (Continued)

Currency Risk

Foreign currency risk arises from fluctuations in foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. Consequently, some assets, liabilities, revenues and purchases are exposed to foreign exchange fluctuations. As at October 31, 2017, cash, accounts receivable and accounts payable of \$386,168, \$6,890 and \$Nil (July 31, 2017 - \$704,996, \$5,895 and \$Nil), respectively, are shown in US dollars and converted into Canadian dollars at the period end exchange rate of 1.2893 (July 31, 2017 - 1.2485). For the three months ended October 31, 2017, the Company recognized a gain on foreign exchange of \$15,235 (three months ended October 31, 2016 - \$30,989) as a result of the appreciation of the US dollar. The potential effect of a 5% increase or decrease in US currency held by the Company would result in an increase or decrease in net earnings of approximately \$20,000.

Interest Rate Risk

Interest rate risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates on its credit facility and term loans.

Sensitivity Analysis

As at October 31, 2017, 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.

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. SUBSEQUENT EVENTS

In December 2017, the Company granted 3,500,000 stock options to certain officers and directors. Each stock option is exercisable into common shares of the Company at an exercise price of \$0.10 and vest immediately. The options expire in five years from the date of grant and are subject to a four month hold.

BLUERUSH MEDIA GROUP CORP.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED OCTOBER 31, 2017 AND 2016

(Presented in Canadian Dollars)

(Unaudited)

14. COMPARATIVE FIGURES

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

The prior period revenue categories were reclassified into new categories as follows:

	New Presentation	Former Presentation
Revenue	\$ -	\$ 971,868
Subscriptions and support	226,379	-
Services	742,975	-
Interest	2,514	-
	\$ 971,868	\$ 971,868

The prior period expense categories were reclassified into new categories as follows:

	New Presentation	Former Presentation
Cost of sales - subscriptions and support	\$ 145,010	\$ -
Cost of sales - services	282,872	-
Salaries and benefits	-	527,361
General and administrative	212,434	112,962
Consulting fees	-	228,929
Production costs	-	104,688
Professional fees	-	42,500
Research and development	239,104	-
Sales and marketing	137,020	-
	\$ 1,016,440	\$ 1,016,440