

# **BRISIO INNOVATIONS INC.**

(formerly known as Netco Silver Inc.)

## **Unaudited Condensed Interim Consolidated Financial Statements**

(Expressed in Canadian dollars)

**For the Nine Months Ended September 30, 2014 and 2013**

### **Index**

#### **Notice of No Auditor Review of Interim Financial Statements**

#### **Condensed Interim Consolidated Financial Statements**

Condensed Interim Consolidated Statements of Financial Position

Condensed Interim Consolidated Statements of Comprehensive Loss

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

Condensed Interim Consolidated Statements of Cash Flows

Notes to the Condensed Interim Consolidated Financial Statements

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the nine months ended September 30, 2014 and 2013.

**Brisio Innovations Inc.**  
(formerly known as Netco Silver Inc.)

**Condensed Interim Consolidated Statements of Financial Position**

(Unaudited - Prepared by Management)

*(Expressed in Canadian dollars)*

			<b>As at September 30, 2014</b>	<b>As at December 31, 2013</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents		\$	38,148	238,302
Accounts receivable			35,524	39,129
GST / HST recoverable			2,114	3,781
Prepaid expenses			13,940	2,429
			<b>89,726</b>	<b>283,641</b>
<b>Non-current assets</b>				
Software applications	7		187,172	53,975
Investment in associate	8		45,654	-
			<b>232,826</b>	<b>53,975</b>
		\$	<b>322,552</b>	<b>\$ 337,616</b>

**LIABILITIES AND EQUITY**

<b>Current liabilities</b>				
Accounts payable and accrued liabilities	11	\$	112,529	165,125
			<b>112,529</b>	<b>165,125</b>

**SHAREHOLDERS' EQUITY**

Share capital	9		19,645,858	19,334,037
Contributed surplus	9		961,921	874,735
Deficit			(20,397,756)	(20,036,281)
			<b>210,023</b>	<b>172,491</b>
		\$	<b>322,552</b>	<b>\$ 337,616</b>

Nature and continuance of operations (note 1)

**Approved on behalf of the Board:**

"Paul Andreola" **Director**  
"Steve Vestergaard" **Director**

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

**Brisio Innovations Inc.**  
(formerly known as Netco Silver Inc.)

**Condensed Interim Consolidated Statements of Comprehensive Loss**  
**For the period ended September 30, 2014, with comparative figures for 2013**

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	Notes	For the nine months ended September 30, 2014	For the three months ended September 30, 2014	For the nine months ended September 30, 2013	For the three months ended September 30, 2013
<b>REVENUE</b>					
Gross revenue from software applications	10	\$ 60,072	\$ 12,496	-	-
Cost of sales		(9,888)	(1,830)	-	-
<b>Gross profit</b>		<b>50,184</b>	<b>10,666</b>	-	-
<b>GENERAL AND ADMINISTRATION EXPENSES</b>					
Amortization of software applications	7	50,074	19,771	-	-
Bonus share issuance	11	14,400	-	-	-
Management fees	11	100,000	37,500	61,500	61,500
Office and general		51,442	17,918	49,667	32,631
Professional fees		66,624	15,657	33,231	25,259
Share-based compensation	9, 11	87,186	-	170,725	170,725
Transfer agent and filing		28,681	7,782	24,895	16,740
		<b>398,407</b>	<b>98,628</b>	<b>340,018</b>	<b>306,855</b>
<b>Loss before other items</b>		<b>(348,223)</b>	<b>(87,962)</b>	<b>(340,018)</b>	<b>(306,855)</b>
<b>OTHER ITEMS</b>					
Foreign exchange gain (loss)		(8,907)	(4,510)	(3,860)	(2,902)
Interest and miscellaneous income		1	1	239	24
Share of loss of an associate	8	(4,346)	(3,493)	-	-
		<b>(13,252)</b>	<b>(8,002)</b>	<b>(3,621)</b>	<b>(2,878)</b>
<b>Loss and comprehensive loss for the period</b>		<b>\$ (361,475)</b>	<b>(95,964)</b>	<b>\$ (343,639)</b>	<b>\$ (309,733)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.04)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>		<b>19,260,738</b>	<b>19,764,276</b>	<b>9,401,647</b>	<b>9,401,647</b>

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

**Brisio Innovations Inc.**  
(formerly known as Netco Silver Inc.)

**Condensed Interim Consolidated Statement of Changes in Shareholders' Equity**  
**For the periods ended September 30, 2014 and 2013**

(Unaudited - Prepared by Management)

*(Expressed in Canadian dollars)*

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance as at January 1, 2014</b>	18,734,978	\$ 19,334,037	\$ 874,735	\$ (20,036,281)	\$ 172,491
Issue of share capital, net	1,142,331	311,821	-	-	311,821
Share-based compensation	-	-	87,186	-	87,186
Total comprehensive loss for the period	-	-	-	(361,475)	(361,475)
<b>Balance as at September 30, 2014</b>	<b>19,877,309</b>	<b>\$ 19,645,858</b>	<b>\$ 961,921</b>	<b>\$ (20,397,756)</b>	<b>\$ 210,023</b>

	Number of Shares	Share Capital	Contributed Surplus	Deficit	Total
<b>Balance as at January 1, 2013</b>	9,401,655	\$ 18,834,037	\$ 753,834	\$ (19,627,169)	\$ (39,298)
Share-based compensation	-	-	170,725	-	170,725
Issue of share capital, net	48,000	-	-	-	-
Total comprehensive loss for the period	-	-	-	(343,639)	(343,639)
<b>Balance as at September 30, 2013</b>	<b>9,449,655</b>	<b>\$ 18,834,037</b>	<b>\$ 924,559</b>	<b>\$ (19,970,808)</b>	<b>\$ (212,212)</b>

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

**Brisio Innovations Inc.**  
(formerly known as Netco Silver Inc.)

**Condensed Interim Consolidated Statements of Cash Flows**  
**For the period ended September 30, 2014, with comparative figures for 2013**

(Unaudited - Prepared by Management)

(Expressed in Canadian dollars)

	For the nine months ended September 30, 2014	For the nine months ended September 30, 2013
<b>CASH FLOWS PROVIDED BY (USED IN):</b>		
<b>Operating activities</b>		
Net loss for the period	\$ (361,475)	\$ (343,639)
Adjustment for items not involving cash:		
Foreign exchange loss	8,907	3,860
Share of loss of an associate	4,346	-
Share-based compensation	87,186	-
	<b>(261,036)</b>	<b>(339,779)</b>
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	3,605	2,691
Increase (decrease) in accounts payable and accrued liabilities	(52,596)	155,298
Decrease (increase) in GST / HST recoverable	1,667	225
Decrease (increase) in prepaid expenses	(11,511)	(914)
	<b>(319,871)</b>	<b>(182,479)</b>
<b>Investing activities</b>		
Software applications	(133,197)	-
Investment in associate	(50,000)	-
	<b>(183,197)</b>	<b>-</b>
<b>Financing activities</b>		
Increase in loans payable	-	63,631
Issuance of common shares	311,821	170,725
	<b>311,821</b>	<b>234,356</b>
<b>Foreign exchange on cash</b>	<b>(8,907)</b>	<b>(3,860)</b>
<b>Increase (decrease) in cash</b>	<b>(200,154)</b>	<b>48,017</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>238,302</b>	<b>29,557</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 38,148</b>	<b>\$ 77,574</b>

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

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Brisio Innovations Inc. (formerly known as Netco Silver Inc.) (the “Company”) is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”). The head office and principal address is 580 Hornby Street, Suite 490, Vancouver, British Columbia, Canada, V6C 3B6.

On February 7, 2014, the Canadian Securities Exchange (“CSE”) approved the listing of the Company’s common shares on the CSE. At the close of trading on February 11, 2014, the Company’s shares were delisted from the TSXV.

The unaudited condensed interim consolidated financial statements (“interim financial statements”) of the Company as at and for the nine months ended September 30, 2014 and 2013 comprise the Company and its subsidiaries (together referred to as the “Group”). The Group is primarily involved in the acquisition, development and marketing of software applications for mobile computing devices, such as smart phones, tablets and wearable computers. The Company was previously involved in the mining and petroleum and natural gas industries.

During the year ended December 31, 2013, the Company completed a 5 for 1 share consolidation. All references to number of shares, warrants, stock options and per share amounts have been retroactively restated to reflect the consolidation, unless otherwise noted.

These interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Group will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

For the nine months ended September 30, 2014, the Group generated \$60,072 (2013 - \$Nil) in gross revenue from the sale of mobile software applications, has a working capital deficit of \$22,803 (December 31, 2013 – working capital of \$118,516) and an accumulated deficit of \$20,397,756 (December 31, 2013 - \$20,036,281). These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. The Group’s ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. These interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

## 2. BASIS OF PREPARATION

- (a) Statement of compliance:

These interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 2. BASIS OF PREPARATION (continued)

### (a) Statement of compliance (continued):

These interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements.

These interim financial statements were approved by the Board of Directors on November 28, 2014.

### (b) Functional and presentation currency:

These interim financial statements are presented in Canadian dollars, which is the Group's functional currency.

### (c) Basis of measurement:

The interim financial statements have been prepared on the historical cost basis except for financial assets classified as fair value through profit or loss which are stated at their fair value.

In addition, these interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### (d) Use of estimates and judgments:

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.



# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
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For the Nine Months Ended September 30, 2014 and 2013

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## 2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued):

Significant accounting estimates:

- a. The inputs used in accounting for share-based compensation in profit or loss;
- b. The assessment of indications of impairment of each property and related determination of the net realizable value and write-down of those properties where applicable;
- c. The tax basis of assets and liabilities and related deferred income tax assets and liabilities;
- d. Amounts of provisions, if any, for decommissioning obligations; and
- e. Rates of depreciation of intangible assets.

Significant accounting judgments:

- a. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management; and
- b. The analysis of the functional currency for each entity of the Group. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, management also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements, and have been applied consistently by the Group.

(a) Basis of consolidation

(i) Subsidiaries:

The interim financial statements of the Company include its wholly-owned subsidiaries, Green River Petroleum (USA) Inc., incorporated in the State of Washington, USA and Netco Argentina S.A., incorporated in Argentina. Both subsidiaries were inactive at September 30, 2014.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial

# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation (continued)

#### (i) Subsidiaries (continued):

statements of a subsidiary are included in the interim financial statements from the date that control commences until the date that control ceases.

#### (ii) Jointly controlled operations and jointly controlled assets:

Many of the Group's resource activities and oil and natural gas activities involve jointly controlled assets. The interim financial statements include the Group's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

#### (iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the interim financial statements.

### (b) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Any foreign currency gains or losses are recognized in net income (loss) for the period.

### (c) Financial instruments

#### Financial Assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Group has classified its cash and cash equivalents as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Group's accounts receivable are classified as loans-and-receivables.

# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Financial instruments (continued)

#### Financial Assets (continued)

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Group has not classified any financial asset as available-for-sale.

Transactions costs associated with FVTPL and available-for-sale financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

#### Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Group's accounts payable and accrued liabilities are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Group has not classified any financial liabilities as FVTPL.

The Group is not engaged in any financial derivative contracts.

### (d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, and cash equivalents that are readily convertible into cash and which are subject to insignificant risk of changes in value.

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Intangible assets

Intangible assets are recorded at cost upon acquisition and are depreciated over their estimated lives. Depreciation is expensed over the estimated useful life of the assets using the straight-line method. The Company monitors events and changes in circumstances which require an assessment of recoverability. If the carrying amount of the intangible assets is not recoverable, an impairment loss is recognized in profit or loss, determined by comparing the carrying amount of the asset to its fair value.

### (f) Investments in associates

An associate is an entity over which the Company has significant influence. If the Company holds, directly or indirectly (i.e. through subsidiaries), 20% or more of the voting power of the investee, it is presumed the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

If the Company has significant influence over an investee, it must account for its investment in an associate using the equity method. Under the equity method, on initial recognition, the investment in an associate is recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss of the investee after the date of acquisition. The Company's share of the investee's profit or loss is recognized in the Company's profit or loss.

Distributions received from an investee reduce the carrying amount of the investment. It may also be necessary to adjustment the carrying amount for changes in the Company's proportionate interest in the investee arising from changes in the investee's other comprehensive income. The Company's share of those changes is recognized in the investor's other comprehensive income.

### (g) Impairment

#### (i) Financial assets:

A financial asset, other than those designated as FVTPL is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar characteristics.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Impairment (continued)

#### (ii) Non-financial assets:

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the CGU). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

### (h) Revenue recognition

The Group derives revenues from the sale of software and mobile applications through various platforms. The Group recognizes revenue when all of the following conditions are satisfied: (i) significant risks and rewards have transferred to the buyer; (ii) the Company no longer retains managerial involvement or effective control over the goods sold; (iii) the fee amount of revenue can be measured reliably; (iv) it is probable the economic benefits associated with the transaction will flow to the Company; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

According to IAS 18-7/18-8, a business which is acting as a principal in a transaction recognizes the amounts billed to the end client as revenue. In order to determine if a business is acting as a principal or as an agent, the risks and responsibilities taken by the business to deliver the goods or render the services should be evaluated.

In this regard, the Group referred to IAS18.IE21, which provides a list of indicators to determine whether a business is acting as a principal or an agent.

# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Revenue recognition (continued)

For every contract signed, the Group examines its characteristics in order to determine whether it is appropriate to recognize the net or gross revenue from services rendered by agents.

### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that if the income tax expense related to items recognized directly in equity, the income tax expense would also be recognized in equity. Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the statement of financial position 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. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### (j) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity.

#### Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
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For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (j) Share capital (continued)

allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded in contributed surplus.

### (k) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the

# BRISIO INNOVATIONS INC.

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Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Share-based payments (continued)

vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

### (l) Earnings (loss) per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive.

### (m) Changes in accounting policies

The Company has adopted the new standards and interpretations issued by the IASB that were effective on January 1, 2014 as outlined below:

IFRS 10 - Consolidated Financial Statements and IFRS 12, Disclosures of Interests in Other Entities and IAS 27, Separate Financial Statements

IFRS 10 and 12 and IAS 27 have been amended with an effective date for annual periods beginning or after January 1, 2014. The amendment provides for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity.

IAS 32 - Financial Instruments: Presentation

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

IAS36 - Impairment of Assets

This amendment requires disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

The Company assessed the adoption of these new standards and interpretations and determined there was no impact to the financial statements for the current period or the prior periods presented.



# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) IFRS standards issued but not yet effective:

IFRS 9	<i>Financial Instruments: Classification and Measurement</i>
IFRS 10 (Amendment)	<i>Consolidated Financial Statements</i>
IFRS 11 (Amendment)	<i>Joint Arrangements</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
IAS 16 (Amendment)	<i>Property, Plant and Equipment</i>
IAS 27 (Amendment)	<i>Separate Financial Statements</i>
IAS 28 (Amendment)	<i>Investments in Associates and Joint Ventures</i>
IAS 38 (Amendment)	<i>Intangible Assets</i>
IAS 41 (Amendment)	<i>Agriculture</i>
The Company anticipates that the application of these standards and amendments on their effective dates, will not have a material impact on the condensed interim consolidated results and financial position of the Company	

## 4. DETERMINATION OF FAIR VALUES

Estimates of the fair value of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. At September 30, 2014, the Group's financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. These items are recognized on the statement of financial position at their carrying value which approximated their fair value due to their short-term nature.

All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 4. DETERMINATION OF FAIR VALUES (continued)

The following table sets forth the Group's financial assets measured at fair value by level within the fair value hierarchy.

September 30, 2014	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 38,148	\$ -	\$ -	\$ 38,148

December 31, 2013	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 238,302	\$ -	\$ -	\$ 238,302

## 5. FINANCIAL RISK MANAGEMENT

### (a) Overview

The Group's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- market risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

The Board of Directors oversees management's establishment and execution of the Group's risk management framework. Management has implemented and monitors compliance with risk management policies. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 5. FINANCIAL RISK MANAGEMENT (continued)

### (b) Market risk (continued)

#### (i) Interest rate risk

The Group's cash is held in bank accounts and due to the short-term nature of these financial instruments fluctuations in market interest rates do not have an impact on the fair value as at September 30, 2014.

The Group's sensitivity to interest rates is currently immaterial due to the short term maturity of its monetary assets and liabilities.

#### (ii) Foreign currency risk

Currency risk is the risk to the Group's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Group does not use derivative instruments to reduce its exposure to foreign currency risk.

At September 30, 2014, the Group had the following financial assets and liabilities in foreign currencies:

	<u>US Dollars</u>	<u>Argentine Pesos</u>
Cash	\$ -	169
Accounts receivable	\$ -	241,074
Accounts payable	\$ 19,725	216,352

At September 30, 2014 US dollar amounts were converted at a rate of \$1.00 US dollars to \$1.1200 Canadian dollars and Argentine pesos amounts were converted at a rate of 1.00 Argentine pesos to \$0.1322 Canadian dollars.

#### (iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk. The Group is not exposed to significant other price risk.

### (c) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Group's cash and cash equivalents and accounts receivable are exposed to credit risk. The credit risk on cash and cash equivalents is considered small because the majority of funds have been placed with major Canadian and Argentinean financial institutions. Management believes that the credit risk related to its accounts receivable is remote.

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 5. FINANCIAL RISK MANAGEMENT (continued)

### (d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet liabilities when due.

At September 30, 2014, the Group had a cash balance of \$38,148, accounts receivable of \$35,524 and GST / HST recoverable of \$2,114. The Group has accounts payable and accrued liabilities of \$112,529.

## 6. CAPITAL MANAGEMENT

The Group considers its capital structure to include working capital and shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. Management reviews its capital management approach on an ongoing basis and believes that its approach, given the relative size of the Group is reasonable.

The Group is not subject to any external capital restrictions and the Group did not change its approach to capital management during the year.

## 7. INTANGIBLE ASSETS

Depreciation of intangible assets is computed using the straight-line method and is recognized over a three year period. During the nine month period ended September 30, 2014, \$30,303 (2013 - \$nil) of depreciation was recognized.

<b>Software Applications:</b>	
Balance, December 31, 2013	53,975
Acquisitions	183,271
Total software applications	237,246
Accumulated depreciation	(50,074)
Balance, September 30, 2014	187,172

In December 2013, the Company purchased all rights, intellectual property and online assets associated with the "On the Fly – Voice Translator" iOS mobile application (the "app") for US\$50,000 (C\$53,975).

On February 13, 2014, the Company purchased all rights, intellectual property and online assets associated with a portfolio of 40 applications for US\$21,000 (C\$23,428). The portfolio focuses on health and wellness and gaming apps. On February 18, 2014, the Company purchased all rights, intellectual property and online assets associated with Boostify for US\$3,000 (C\$3,341).

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 7. INTANGIBLE ASSETS (continued)

On March 27, the Company purchased all rights, intellectual property and online assets associated with "Spermy's Journey, A Race To The Egg!". The Company paid the vendor US\$135,137 (C\$149,462) as consideration for these assets.

## 8. INVESTMENT IN ASSOCIATE

On June 9, 2014, the Company executed a Definitive Agreement to acquire up to 100% of the issued and outstanding securities of OakBranch Media Inc. ("OakBranch") and its underlying assets.

The terms of the Definitive Agreement are as follows:

- (a) in consideration for aggregate cash payments of \$130,000, to be paid by the Company to OakBranch upon the achievement of certain milestones, the Company will acquire securities of OakBranch, sufficient to give the Company a 30% voting and equity interest in OakBranch;
- (b) OakBranch will grant the Company an option, that will expire June 8, 2015, to acquire additional securities of OakBranch, sufficient to give the Company an additional 19.9% voting and equity interest in OakBranch, bringing the Company's total interest in OakBranch to 49.9%, exercisable upon: (i) the issuance by the Company to OakBranch 250,000 common shares of the Company and (ii) the payment of \$75,000 by the Company to OakBranch; and
- (c) OakBranch will cause each of the shareholders of OakBranch to grant the Company a right of first refusal to acquire the remaining 50.1% of the outstanding voting and equity interests of OakBranch.

In addition, the Company will appoint one Director to OakBranch's Board of Directors.

As of September 30, 2014, the Company has made aggregate cash payments of \$50,000 for 11.5% interest in OakBranch.

Movements in the carrying amount of the Company's investment in associate:

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Investment in OakBranch Media, June 2014	50,000
Share of losses in associate (\$37,664 x 11.5%)	(4,346)
Balance, September 30, 2014	45,654

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# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 8. INVESTMENT IN ASSOCIATE (continued)

Extract from OakBranch's income statement for the period June 9 to September 30, 2014:

Revenue	24,231
Expenses	(61,895)
Net loss, September 30, 2014	(37,664)

OakBranch did not pay out any dividends during the period.

## 9. SHARE CAPITAL

### (a) Authorized

Unlimited number of common shares without par value.  
Unlimited number of preferred shares without par value.

### (b) Issued

On August 26, 2013, the Company received TSX Venture Exchange approval for the consolidation of its common shares on a one (1) post-consolidations common share for every five (5) pre-consolidation common shares.

	Nine months ended September 30, 2014		Year ended December 31, 2013	
	Number of Shares	Amount	Number of Shares	Amount
Common shares:				
Balance, beginning of period	18,734,978	\$19,334,037	9,401,655	\$ 18,834,037
Share consolidation adjustment	-	-	(8)	-
Transactions during the period:				
Private placement	960,998	279,088	9,333,331	500,000
Bonus shares	48,000	14,400	-	-
Options exercised	100,000	15,000	-	-
Warrants exercised	33,333	3,333	-	-
Balance, end of period	<b>19,877,309</b>	<b>\$19,645,858</b>	<b>18,734,978</b>	<b>\$19,334,037</b>

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 9. SHARE CAPITAL (continued)

### (b) Issued (continued)

On October 3, 2013, the Company closed a non-brokered private placement financing (the "Financing") of 8,000,000 units (each, a "Unit") at a price of \$0.05 per Unit for gross proceeds of \$400,000. Each Unit consists of one common shares of the Company (each a "Share") and one share purchase warrant (each, a "Warrant"). One Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of \$0.10 per Share for a period of two years after closing of the Financing.

On October 24, 2013, the Company closed a non-brokered private placement financing (the "Second Financing") of 1,333,331 Units at a price of \$0.075 per Unit for gross proceeds of \$100,000. Each Unit consists of one Share of the Company and one Warrant. One Warrant entitles the holder thereof to purchase one additional Share of the Company at a price of \$0.10 per Share for a period of two years after the closing of the Second Financing.

In March 2014, 100,000 options were exercised at a price of \$0.15.

On April 10, 2014, the Company completed its non-brokered private placement financing pursuant to which it has issued 960,998 units (each, a "Unit") at a price of \$0.30 per Unit for gross proceeds of \$288,299. Each Unit consists of one common share of the Company (each, a "Share") and one-half of one share purchase warrant (each, a "Warrant"). Each whole warrant entitles the holder thereof to purchase one additional Share at a price of \$0.45 per Share for a period of one year from closing of the Financing, subject to an acceleration provision whereby, in the event that the Shares trade above \$0.60 per Share for a period of ten consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is thirty days after the completion of such period. The proceeds of the Financing will be used for general working capital. The Company paid a finder's fee of \$9,600 to Canaccord Genuity Corp. for the introduction of certain subscribers to the Financing. The securities issued in connection with the Financing are subject to a hold period of four months and one day under applicable Canadian Securities laws. None such securities have been or will be registered under the United States *Securities Act of 1933*, as amended (the "1933 Act"), and none of them may be offered or sold to the United States absent registration or pursuant to an applicable exemption from the registration requirements of the 1933 Act and applicable state securities laws.

Per the August 2013 loan agreements, a total of 48,000 bonus shares were issued on April 14, 2014.

On April 28, 2014, 33,333 outstanding warrants were exercised at a price of \$0.10 per share.

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

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## 9. SHARE CAPITAL (continued)

### (c) Stock options

The Company has a stock option plan in accordance with the policies on the TSX Venture Exchange whereby, from time to time at the discretion of the board of directors, stock options are granted to directors, officers and certain consultants.

Under the plan up to 10% of the total number of issued common shares of the Company, calculated on a non-diluted basis, at the time an option is granted are available for the issuance of stock options. The exercise price of each option is based on the market price of the Company's common stock at the date of the grant less an applicable discount. The options can be granted for a maximum term of 10 years. The maximum number of options that may be granted to any one person must not exceed 5% of the common shares issued and outstanding at the time of grant unless disinterested shareholder approval is obtained. Any options granted to consultants or persons performing Investor Relations under the Amended Stock Option Plan shall vest to the optionee as follows: 25% at date of grant, 25% six months from date of grant, 25% nine months from date of grant and the remaining 25% twelve months from the date of grant. All other options granted under the Amended Stock Option Plan shall have vesting terms set at the discretion of the Board of Directors.

On September 27, 2013, the Company granted a total of 850,000 stock options to officers, directors and consultants at an exercise price of \$0.15 per share for a period of 5 years.

On February 28, 2014, the Company granted a total of 300,000 stock options to officers, directors and consultants at an exercise price of \$0.30 per share for a period of 5 years.

In March 2014, 100,000 options were exercised at a price of \$0.15.

For the nine months ended September 30, 2014, \$87,186 (2013 - \$170,725) has been recorded as share-based compensation relating to options issued and fully vested during the period. The fair value of stock options was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: Dividend yield 0% (2013 - 0%), expected annual volatility 217% (2013 - 172%); risk-free interest rate 1.86% (2013 - 1.16%); market share price of \$0.30 (2012 - \$0.15); forfeiture rate of 0% and expected life of 5 years. Expected volatility was based on the historical share price volatility over the past 5 years. The expected life of the option was calculated based on the history of option exercises.



# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 9. SHARE CAPITAL (continued)

### (c) Stock options (continued)

A summary of the stock option activity is as follows:

	September 30, 2014		December 31, 2013	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period	1,065,000	\$0.26	428,000	\$0.70
Granted	300,000	0.30	850,000	0.15
Exercised	(100,000)	0.15	-	-
Expired/Cancelled	(50,000)	(0.70)	(213,000)	(0.74)
Balance, end of period	1,215,000	\$0.26	1,065,000	\$0.26

As at September 30, 2014 and December 31, 2013, the Company has outstanding directors' and employees' incentive stock options enabling the holders to acquire additional common shares as follows:

Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
55,000	55,000	\$ 0.60	March 4, 2016
20,000	20,000	\$0.825	April 28, 2016
90,000	90,000	\$0.75	October 18, 2016
750,000	750,000	\$0.15	September 27, 2018
300,000	300,000	\$0.30	February 28, 2019
1,215,000	1,215,000		

### (d) Warrants

	September 30, 2014		December 31, 2013	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Bal., beginning of period	9,976,831	\$0.16	1,405,764	\$1.05
Issued	480,499	\$0.45	9,333,331	\$0.10
Exercised	(33,333)	(\$0.10)	-	-
Expired/Cancelled	(643,500)	(\$1.10)	(762,264)	(\$1.01)
Balance, end of period	9,780,497	\$0.16	9,976,831	\$0.16

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 9. SHARE CAPITAL (continued)

### (d) Warrants (continued)

As at September 30, 2014, the Company has outstanding share purchase warrants entitling the holders to acquire additional common shares, as follows:

Number of Warrants	Exercise Price	Expiry Date
8,000,000	\$0.10	October 3, 2015
1,299,998	\$0.10	October 24, 2015
480,499	\$0.45	April 10, 2015
9,780,497		

On April 28, 2014, 33,333 outstanding warrants were exercised at a price of \$0.10 per share.

Subsequent to the nine-month period ending September 30, 2014, 100,000 outstanding warrants were exercised at a price of \$0.10 per share.

## 10. SEGMENTED REPORTING

The Company is organized into business units based on unique software applications and has the following reportable operating segment results for the nine month period ended September 30, 2014. These reportable segments did not exist in the prior period.

	Spermy's Journey	On the Fly – Voice Translator	Other software applications	Total
Total assets	\$120,400	\$40,481	\$26,291	\$187,172
Total liabilities	\$ Nil	\$ Nil	\$ Nil	\$ Nil
Revenues	\$30,711	\$25,758	\$3,603	\$60,072
Amortization	(\$29,062)	(\$13,494)	(\$7,518)	(\$50,074)
Cost of Sales	(\$657)	(\$7,727)	(\$1,504)	(\$9,888)
Net Operating Income	\$992	\$4,537	(\$5,419)	\$110

\$30,354 of the above revenue was generated from the Apple app store.

# BRISIO INNOVATIONS INC.

(Formerly known as Netco Silver Inc.)

Notes to the Unaudited Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

For the Nine Months Ended September 30, 2014 and 2013

## 11. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures made to parties not at arm's length to the Group for the nine months ending September 30, 2014 and 2013:

<b>September 30,</b>	<b>2014</b>	<b>2013</b>
Compensation of key management:		
Management fees	\$ 100,000	\$ 61,500
Share-based compensation	87,186	170,725
	<u>\$ 187,186</u>	<u>\$ 232,225</u>

Included in accounts payable and accrued liabilities at September 30, 2014 is \$Nil (2013 - \$Nil) due to directors for unpaid management fees. During the year ended December 31, 2013 a director loaned the Company \$50,000 which was repaid with interest of \$1,151 during the year and the director was issued 40,000 bonus shares of the Company in April 2014.

On May 9, 2013, three Directors of the Company each loaned the Company \$750 for a total of \$2,250 for general working capital. These were considered short-term loans that were non-interest bearing and were repaid during the fourth quarter of 2013.

On August 6, 2013, the Company obtained an aggregate of \$60,000 in loans, for 12 months, bearing interest at a rate of 12% per annum. These loans, in the amount of \$60,000 principal plus interest of \$1,381, were repaid in November 2013.

The lenders had agreed to loan such funds to the Company in consideration for the Company issuing as a bonus an aggregate of 48,000 common shares of the Company to the lenders. The bonus shares were issued in the second quarter of 2014.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the nine months ended September 30, 2014 and the year ended December 31, 2013.