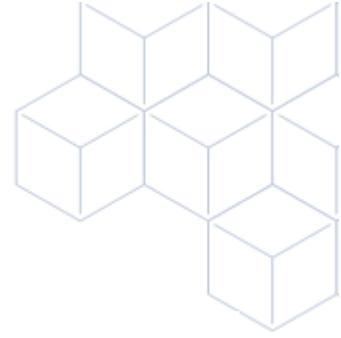


# Glenbriar

Technologies Inc.

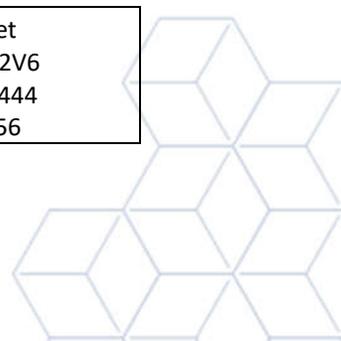


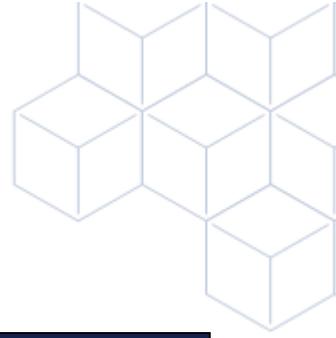
## 2016 ANNUAL REPORT

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# 2016 ANNUAL REPORT

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## To Our Shareholders

### Back Office & Infrastructure Updates

Glenbriar completed its data centre and back office infrastructure upgrades in the second quarter of fiscal 2016, with client rollouts continuing throughout the year. These new tools automate Glenbriar's business workflow through its entire cycle, from sales process through invoicing and monitoring. With the Cloud infrastructure now operational, additional capital investments are limited to increasing capacity, but depreciation increased substantially starting in February 2016.

### Financing

Glenbriar used a combination of finance leases for our Cloud data centre, finance loans for our back office infrastructure and a revolving credit facility for the balance. In February 2016, the revolving facility was termed out, and repayments commenced in April 2016 at \$20,000 per month on a balance of \$292,000. This facility now stands at less than \$100,000, and is scheduled to be paid out in May 2017. Glenbriar is continuing to seek additional funding for strategic acquisitions, development of its Cloud services, marketing and sales infrastructure, and reduction of long-term obligations.

### New CFO

Glenbriar appointed Shankha Bhattacharyya, CPA, CMA, MBA as its Controller and Acting CFO effective July 25, 2016. Mr. Bhattacharyya has extensive experience in finance, accounting and investment roles over the past 20 years.

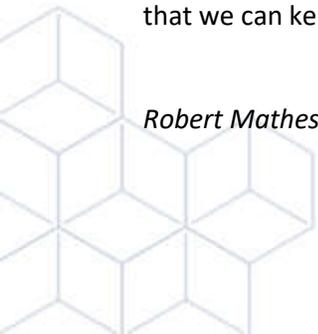
### Performance

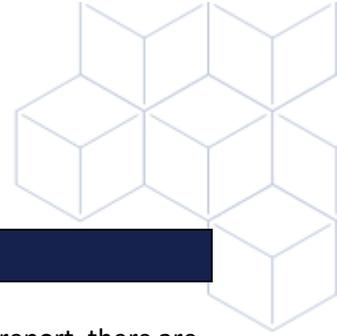
With the completion of the Cloud and back office infrastructure, results for the period February through September 2016 were positive, turning in over \$300k in EBITDA over that period. However, further declines in the Alberta economy resulted in additional clients going out of business, which drove a loss in the first quarter of 2017. We are currently working to reverse this condition through cost cutting and marketing initiatives.

### Industry Trends

Glenbriar's commitments to redesign and redeploy its internal and external operations position us to respond to the disruptive changes to business computing that are underway in the Cloud, mobility and big data to ensure that we can keep our clients ahead of the technology curve.

*Robert Matheson, President & CEO*





## MANAGEMENT DISCUSSION AND ANALYSIS

This information is given as of January 26, 2016 under NI Form 51-102F1. As of the date of this report, there are 48,421,510 Glenbriar voting common shares issued and outstanding. There is no other class or series of shares issued, and no warrants or options or other rights to acquire additional common shares outstanding.

### Description of Business

**Glenbriar Technologies Inc.** (CSE: GTI) provides leading edge Cloud-enabled business technology solutions. From its offices in Calgary, Vancouver and Waterloo, Glenbriar's IT professionals and software developers design, manage and support solutions that include IT Services, Cloud Services, Portals & Collaboration, Unified Communications, Software and Security. See [www.glenbriar.com](http://www.glenbriar.com) for more details.

#### New Back Office

Glenbriar completed the upgrade of its back office applications and infrastructure in January 2016. This new infrastructure replaces a number of proprietary systems that Glenbriar developed over the years with state of the art industry standard applications.

#### New CFO

Glenbriar appointed of Shankha Bhattacharyya, CPA, CMA, MBA as its Controller and Acting CFO effective July 18, 2016. Mr. Bhattacharyya has extensive experience in finance, accounting and investment roles over the past 20 years.

#### Deep-Secure

Glenbriar discontinued its partner program with Deep-Secure in June 2016 due to a lack of market interest.

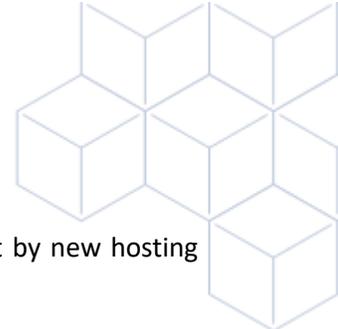
### Products & Services

#### Cloud Services

Glenbriar has transferred its internal infrastructure to the Cloud infrastructure, and is migrating hosted clients and new Cloud hosted clients as well. By focusing on keeping the data in Canada, new hosting opportunities arise in industries that are sensitive to the location and storage of their data and intellectual property, such as health care, financial services, technology innovation and natural resources. Glenbriar added additional storage capacity to its Cloud data centre in July 2016 to meet current and future demand.

As business technology moves from in-house infrastructure to the Cloud, using public, private or hybrid models, Glenbriar is transitioning its clients to optimize their Cloud strategy to fit their business growth, needs and outcomes to ensure the right mix of Cloud, on premise and hybrid solutions to fulfill their objectives.

Glenbriar is in the process of realigning its services for small business customers to allow them to transition to a more Cloud-centric model. This is expected to allow the adoption of a broader range of clients and services for those customers. The downturn in the business cycle in Alberta has led to the bankruptcy or shutdown of a



limited number of Glenbriar’s customers in that province. These losses are somewhat offset by new hosting clients.

### Portals & Collaboration

Glenbriar is moving its clients to a simplified and automated implementation of the SharePoint development platform that eliminates the need for custom SharePoint development, leaving the design and management of the SharePoint site in the clients’ hands. SharePoint changes the way businesses operate, reducing lost productivity and costs that result from organizations not having the resources to efficiently and cost-effectively streamline their business processes.

### Unified Communications

Glenbriar completed additional deployments of its inclusive Remote Facility Communications solution in 2016. This solution works over a fixed, wireless or satellite Internet connection, with all major brands of smartphones and wireless devices, and with all national cellphone carriers, making it available virtually anywhere. Typical payout for clients is less than one year for a huge increase in functionality.

### Managed Services

New projects are in the design phase for rolling out over the next 2 quarters. Cloud deployments, mobility functionality, managed services and print services will continue to grow in enterprise environments, and bring with them the need for increased emphasis on security. Glenbriar is actively seeking upgraded technologies to meet these new requirements.

### Software Services

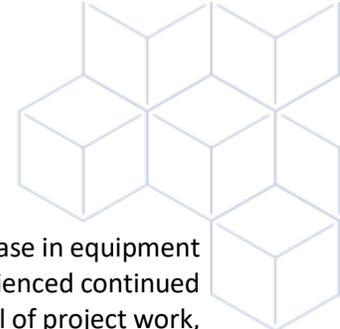
Glenbriar’s MMS has been updated to incorporate industry mandated EDI changes. A number of MMS clients are implementing server upgrades to provide enhanced performance and functionality.

Glenbriar continues to develop its multivalued application database consulting and production line control products for manufacturers.

## Financial Review

### Selected Financial Information

Selected Annual Financial Information (\$)	Year ended September 30		
	2016	2015	2014
Revenue	4,695,552	4,184,230	5,953,532
Gross profit	1,492,340	1,355,443	1,573,688
EBITDA (earnings before interest, taxes and depreciation)	264,501	(40,060)	340,501
Net income (loss) before tax	43,784	(191,629)	271,122
Net income (loss)	43,784	(191,629)	271,122
-per share (basic and diluted)	0.00	(0.00)	0.01
Total assets	1,051,908	1,076,965	911,211
Long term liabilities (excl. deferred rent)	421,871	478,757	345,000
Dividends	-	-	-



Revenue increased 12% in 2016, made up of a 1% decrease in services revenue and a 48% increase in equipment sales. Most of the change reflects a reduction of services to the oil and gas sector, which experienced continued decline in Alberta due to low oil prices, resulting in several clients going out of business, deferral of project work, and reduced services due to declining staff counts. This downturn was offset by Glenbriar actively diversifying its client base outside of the energy sector and into senior health and living facilities. A number of new projects in this latter sector resulted in an increase in equipment sales, which is unlikely to be repeated in fiscal 2017, although a pickup is expected by the fourth quarter in equipment sales to that sector. In addition, Glenbriar made major investments in 2015 in data centre and back office infrastructure to facilitate the shift to a Cloud-centric service model, which investments were continued on a substantially reduced basis until January 2016. As more clients are brought into the Cloud centric model, there are lower equipment sales to clients and more equipment being purchased directly by Glenbriar. Gross margin remained steady at 32% in 2016 and 2015, compared to 26% in 2014. The move to a Cloud-centric services model increases fixed costs in relation to variable costs, making operations less profitable in a downturn and more profitable in an upturned economy. Net income was \$43,784 in 2016, up from a loss of \$191,629 in 2015, but still below income of \$271,122 in 2014. The 2014 net income included a \$107,000 gain on sale of Peartree Dealership.

Selected Quarterly Financial Information (\$)	Quarter ended							
	2016			2015			2014	
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	1,113,124	1,211,482	1,288,708	1,082,238	951,143	1,001,574	1,214,292	1,017,221
EBITDA	91,884	103,138	114,916	(45,435)	(847)	(65,039)	52,587	(27,032)
Income (loss) from operations	52,173	66,035	83,744	(64,326)	(28,149)	(70,039)	47,858	(32,032)
-per share (basic and diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income (loss)	28,731	38,182	63,634	(86,763)	(104,244)	(83,729)	34,272	(37,928)
-per share (basic and diluted)	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)	0.00	(0.00)

Overall revenue increased 17% for the quarter ended September 30, 2016 from the prior year period, made up of a 9% drop in services and a 75% increase in equipment and software sales. These differences reflect the factors relating to the Alberta economy and movement to the Cloud discussed above.

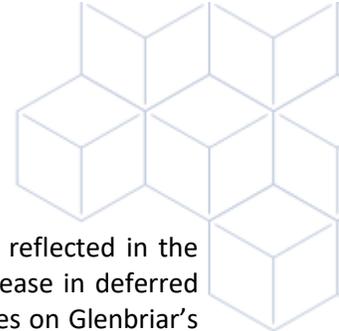
EBITDA refers to earnings before interest, taxes, depreciation and amortization. It is a measure used by management to determine the earnings from operations by excluding non-operational expenses, such as interest and taxes, and certain non-cash allocations, such as depreciation and amortization. The main variations between EBITDA and net income for Glenbriar relate to interest expense and depreciation calculation. Depreciation rose significantly starting in February 2016 with the commissioning of the data centre and back office infrastructure upgrades. Glenbriar did not previously present EBITDA in the periods covered by this report for which it was considered a non-GAAP measure.

Glenbriar has not paid dividends and has no current intention of doing so.

### Liquidity and Capital Resources

As of September 30, 2016, Glenbriar had working capital deficiency of \$542,969 (\$436,438 excluding deferred items, which does not require a direct cash outlay), a decline from working capital deficiency of \$584,481 (\$471,718 excluding deferred items) at September 30, 2015. This decrease reflects the substantial investment in data centre and back office infrastructure, which resulted in a \$581,225 increase in fixed assets in fiscal 2015. These investments were funded through bank indebtedness of \$165,221 as of September 30, 2016 (2015 - \$192,362), finance leases of \$111,332 as of September 30, 2016 (2015 - \$118,473), and finance loans of \$60,584 as of September 30, 2016 (2015 - \$87,468). As part of its back office restructuring, Glenbriar modified its business





process for handling procurement so that items are no longer taken into inventory. This is reflected in the standard practice of having goods delivered directly to the end user's site. The \$6,592 decrease in deferred revenue reflects normal fluctuations, and is made up of software maintenance and service fees on Glenbriar's remaining proprietary software products.

Lease payments under office leases are expensed on a straight-line basis over the life of the lease. Incentives under an operating lease, such as rent-free periods, are recognized as a reduction in rental payments over the lease term. Deferred rent reflects rent free allowances on the office lease in Calgary, which has a remaining term of 6 years.

Glenbriar entered into a revolving demand credit facility with the Royal Bank of Canada in March 2015. The total borrowings are secured by a general security agreement over Glenbriar's current and after acquired assets, and postponement of loans payable. The bank indebtedness required the Corporation to maintain a ratio of liabilities to tangible net worth of not greater than 4:1 at the end of the fiscal year. At September 30, 2015 the Corporation was in default of the covenant, leading to suspension of the facility in February 2016. The Corporation then entered in to an agreement with the Bank to repay the balance at \$20,000 per month commencing in April 2016 (at which time the balance was \$292,000) through September 2016, with the balance due in October 2016. This agreement was extended in December 2016 to continue the monthly payments until April 2017, with the balance now due in May 2017. The balance outstanding as of September 30, 2016 was \$165,221.

Loans payable at September 30, 2016 in the amount of \$345,000 (September 30, 2015 - \$345,000) consist of net advances from officers of the Corporation secured by a general security agreement which bear interest at the rate of interest charged on the bank indebtedness (note 5). The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2016, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of \$17,100 is included in accounts payable (2015 - \$45,564).

Finance expense includes \$17,100 of interest on the advances in fiscal 2016 (2015 - \$17,078), which corresponds to an average interest rate of 5% for 2016 (2015 – 5%).

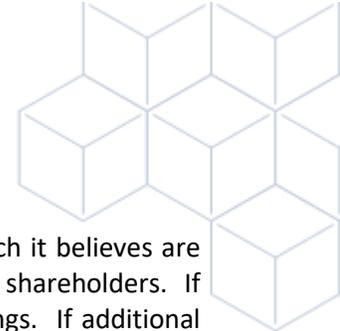
Glenbriar entered into two (2015 – four) new finance leases in fiscal year 2016 to facilitate its new cloud infrastructure. Finance leases consisted of six equipment leases. The equipment leases bear interest ranging between 12.33% and 16.52% annually and require blended monthly payments of interest and principal. The final payments are due between November 2017 and September 2019.

The financing loans relate to the purchase of two office operating systems. The financing loans are non-interest bearing and unsecured. The final payments are due on December 1, 2018 and February 1, 2019.

Glenbriar has no off-balance sheet arrangements.

Management believes that its ongoing cash flow from operating activities, based on current internal operating forecasts, will be sufficient to satisfy its current and future obligations as they become due and to fund ongoing operations.

Glenbriar may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. In addition, Glenbriar does not have adequate surplus capital on hand to aggressively pursue its new business delivery model activities, to establish and implement a robust marketing and sales program, and to make strategic acquisitions. Accordingly, Glenbriar may reasonably be expected to



issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative events. Glenbriar will continue to take steps to improve its working capital position, which may include injection of capital, loans or renegotiation of credit facilities, but there is no assurance that these efforts will be successful.

In prior periods, Glenbriar funded its research and development from internal sources, including cash flow and disposition of non-core assets. With the sale of the Peartree Dealership product in fiscal 2014, Glenbriar management has eliminated the need for ongoing research and development activities.

Glenbriar has 1 year left on its lease for the Waterloo office, 6 years left on its lease for its head office in Calgary, and 1 year on its Burnaby location. Glenbriar's long term financial commitments for office leases were as follows as of September 30, 2016:

	\$
2017	264,686
2018	217,253
2019	197,086
2020	197,086
2021	197,086
2022	65,695
Total	<u>1,138,892</u>

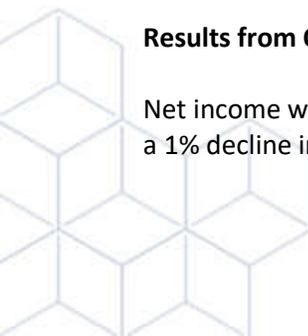
A contractual maturity analysis of the Corporation's financial liabilities is as follows:

Financial liabilities	2017	2018	2019	Total
Bank indebtedness	165,221	-	-	165,221
Accounts payable	631,395	-	-	631,395
Loans payable	-	345,000	-	345,000
Finance leases	69,080	34,446	7,806	111,332
Finance loans	25,965	25,965	8,654	60,584
	<u>891,661</u>	<u>405,411</u>	<u>16,460</u>	<u>1,313,532</u>

The financial statements are prepared on a going concern basis, which assumes that Glenbriar will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. There are material uncertainties related to events and conditions that may cast significant doubt upon the Corporation's ability to continue as a going concern, such as negative working capital of \$542,969 as of September 30, 2016 (2015 - \$(584,481)), despite net income during fiscal 2016 of \$43,784 (2015 – net loss of \$(191,629)). In December 2016, a long term employee advanced \$200,000 to assist with the transition away from the bank line and to provide additional liquidity over the coming year. There is no certainty that Glenbriar will generate positive cash flows or obtain additional debt or equity financing to continue as a going concern. The financial statements do not reflect the adjustments that would be necessary if the going concern assumption is inappropriate, and those adjustments could be material.

### Results from Operations

Net income was \$43,784 for fiscal 2016, an improvement from a net loss of \$(191,629) for fiscal 2015, reflecting a 1% decline in services and 48% increase in equipment sales.





Managed services revenue includes all professional services and consulting revenue. Cost of services includes the salaries of those employees who directly earn managed services revenue. Margins on managed services are based on a comparison of managed services revenue to cost of services. Salaries for administrative and support staff are included in general and administrative expenses, while salaries for sales and marketing staff are included in sales and marketing expense.

Equipment sales include all revenue from the sale of equipment and related third party software, and cost of goods sold is made up of the cost of equipment and third party software sales. Both accounts include shipping, but exclude any allocation of salaries or overhead. Margins on equipment and third party software sales are based on a comparison of equipment and third party software revenue to cost of goods sold.

**Revenue.** Sales and services revenue increased 12% in fiscal 2016 over 2015, made up of a 1% decline in services and a 48% increase in equipment and third party software sales.

**Expense.** Margins on managed services increased to 41% in fiscal 2016 from 37% in fiscal 2015. Margins on equipment and third party software sales declined to 17% from 21% over the same periods. These changes reflect the movement to a more Cloud-centric services delivery model and more detailed tracking of sources of revenue and expenses that resulted from the change in back office infrastructure in fiscal 2015. General and administrative expense declined to 22% of sales in fiscal 2016 from 28% in fiscal 2015, and sales and marketing expenses declined to 4% of sales in 2016 from 5% in 2015, reflecting a change in the mix of sales and administrative staff. These changes reflect lower revenue and the higher fixed costs associated with the establishment and operation of the data centre and back office infrastructure, including finance leases and colocation costs.

**Accounts receivable.** The balance for September 30, 2016 reflects 28 days of sales, which is down from 30 days of sales for year-end 2015.

**Accounts payable and accrued liabilities.** The total balance was flat at \$631,395 at September 30, 2016 from \$626,507 at the end of fiscal 2015.

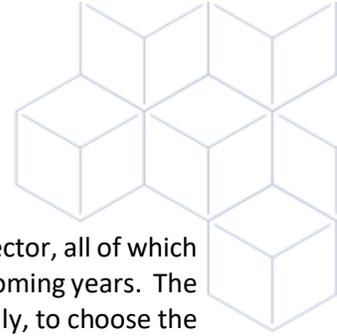
**Deferred revenue.** This balance decreased marginally to \$100,560 as of September 30, 2016 from \$107,152 at the end of fiscal 2015 due to normal fluctuations. This balance is for periodic software maintenance and services on Glenbriar's proprietary software products, which are brought into revenue monthly as services are performed.

### **Forward Looking Statements**

This MD&A may contain forward-looking statements. These forward-looking statements do not guarantee future events or performance and should not be relied upon. Actual outcomes may differ materially due to any number of factors and uncertainties, many of which are beyond Glenbriar's control. Some of these risks and uncertainties may be described in Glenbriar's corporate filings (posted at [www.sedar.com](http://www.sedar.com)). Glenbriar has no intention or obligation to update or revise any forward looking statements due to new information or events, except as required by securities legislation.

### **Risk Factors**

Glenbriar is in the information technology business, which is a rapidly changing and competitive environment. Glenbriar must stay abreast of several new technologies and be ready to quickly and effectively deploy them for its customers. Glenbriar serves the automotive, recreational, energy and mining sectors, all of which were challenged by the global recession and the effects of globalization on their business cycles. See "Changes in



Business Technology Market” above for a description of the many changes underway in the IT sector, all of which will have a major effect on the way many of Glenbriar’s clients conduct their business over the coming years. The pace of change keeps quickening, and Glenbriar and its clients must adapt promptly, but carefully, to choose the right technologies and strategies to optimize their business technology processes and infrastructure. The consumerization of end user devices, increased mobility, and changing workplaces will continue to place a heavy burden on businesses to remain secure and to keep their data safe but accessible. Glenbriar will have to continue to reliably identify, evaluate, optimize and support these new technologies for its clients in order to remain successful in the coming periods.

Glenbriar filed a statement of claim in Alberta Court of Queen’s Bench in September 2015 against IT service providers and former senior managers and employees for breach of contract, fiduciary and various common law duties in connection with certain activities over the last 2 years. Glenbriar has settled the claims with all but one individual and one corporate defendants.

### **Critical Accounting Estimates**

The preparation of Glenbriar’s financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Estimates and judgements are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from the estimates.

The following discussion sets forth management’s most critical estimates and assumptions in determining the value of assets, liabilities and equity:

#### *Valuation of accounts receivable*

The recoverability of accounts receivable based upon its past history of recovery and specific doubtful accounts.

#### *Capitalization of property and equipment*

Property and equipment includes the capitalization of general and administrative expenses related to the cost to develop and complete office systems and data centre equipment. The amounts capitalized have been estimated based on estimates of employees’ time on the specific projects.

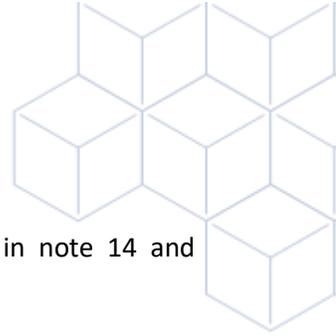
#### *Useful life and valuation of property and equipment*

Property and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could increase or decrease the amount of depreciation recorded during the year. The carrying value of property and equipment is estimated by management to be recoverable at its depreciated cost.

The carrying value of proprietary software assets, deferred tax assets and intangible assets is \$nil. The carrying value of property, plant and equipment is its depreciated cost. Glenbriar management estimates that these assets are fairly valued as at September 30, 2016.

#### *Income taxes*

The measurement of income taxes requires management to make judgements in the interpretation and application of relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. The availability of tax pools is subject to audit and interpretation by taxation authorities. There are



no current or deferred income taxes recognized in the financial statements as disclosed in note 14 and management estimates that these items have been fairly valued.

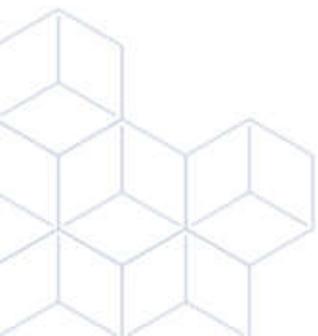
### **Related Party Transactions**

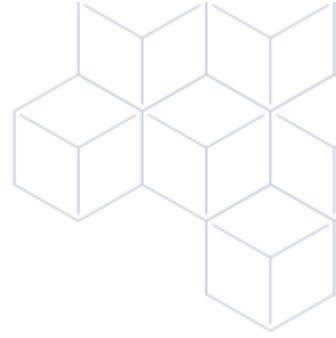
Management loan advances were \$345,000 as of September 30, 2016, the same as the prior year end. During the year ended September 30, 2016, Glenbriar recorded \$17,100 of interest in relation to loans payable, which is included in accounts payable and accrued liabilities. See note 6 of Notes to the Financial Statements.

During December 2016, a long term employee agreed to advance \$200,000 to assist with the transition away from the bank line and to provide additional liquidity over the coming year. This increased the management loan advance as of December 31, 2016 to \$545,000, which is secured by a second charge on all of Glenbriar's existing and future property. As an additional incentive to making the advance, two officers have agreed to transfer 1 million shares each to the long term employee.

### **Additional Information**

Additional information about Glenbriar is available from Glenbriar's website at [www.glenbriar.com](http://www.glenbriar.com), the CSE website at [thecse.com](http://thecse.com), the Sedar website at [www.sedar.com](http://www.sedar.com), or by request from Glenbriar's head office at 1100, 736 – 8 Ave SW, Calgary, AB T2P 1H4 (Phone 403-233-7300 x117).





## **Independent Auditors' Report**

To the Shareholders of  
**Glenbriar Technologies Inc.**

We have audited the accompanying financial statements of Glenbriar Technologies Inc., which comprise the statements of financial position as at September 30, 2016 and September 30, 2015, and the statements of income (loss) and comprehensive income (loss), statements of changes in shareholders' deficiency and statements of cash flows for the years ended September 30, 2016 and September 30, 2015, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

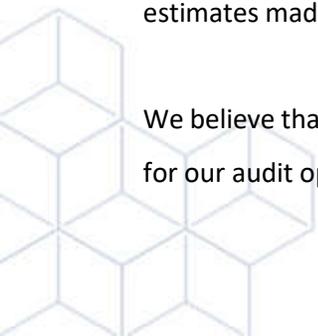
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

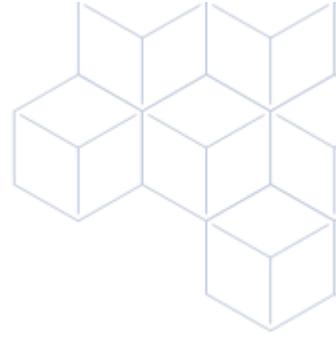
### **Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.





### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Glenbriar Technologies Inc. as at September 30, 2016 and September 30, 2015, and its financial performance and its cash flows for the years ended September 30, 2016 and September 30, 2015 in accordance with International Financial Reporting Standards.

### **Emphasis of Matter**

We draw attention to note 2 of the financial statements which describes conditions that indicate the existence of a material uncertainty that may cast significant doubt upon the Corporation's ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.

Calgary, Canada  
January 26, 2017

(signed) "Collins Barrow Calgary LLP"  
Chartered Professional Accountants





**GLENBRIAR TECHNOLOGIES INC.**  
**Statements of Financial Position**  
(Expressed in Canadian Dollars)

	<b>September 30</b>	
	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents (note 13(c))	59,859	49,139
Accounts receivable (notes 12 and 15)	362,124	340,720
Prepaid expenses	33,240	29,476
Total current assets	<u>455,223</u>	<u>419,335</u>
<b>Non-current</b>		
Property and equipment (note 4)	596,685	657,630
Total assets	<u>1,051,908</u>	<u>1,076,965</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness (note 5)	165,221	192,362
Accounts payable and accrued liabilities (notes 12 and 15)	631,395	626,507
Finance leases – current portion (note 7)	69,080	46,714
Finance loans – current portion (note 8)	25,965	25,470
Deferred revenue	100,560	107,152
Deferred rent – current portion	5,971	5,971
Total current liabilities	<u>998,192</u>	<u>1,004,176</u>
<b>Non-current</b>		
Loans payable (note 6)	345,000	345,000
Finance leases (note 7)	42,252	71,759
Finance loans (note 8)	34,619	61,998
Deferred rent	28,361	34,332
Total liabilities	<u>1,448,424</u>	<u>1,517,265</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (note 9)	4,279,555	4,279,555
Deficit	(4,676,071)	(4,719,855)
Total shareholders' deficiency	<u>(396,516)</u>	<u>(440,300)</u>
Total liabilities and shareholders' deficiency	<u>1,051,908</u>	<u>1,076,965</u>

Going concern (note 2)  
Commitments (notes 5 and 10)  
Subsequent event (note 17)

Approved by the Board,  
"Robert Matheson", Director  
"Brian Tijman", Director

The accompanying notes are an integral part of these financial statements



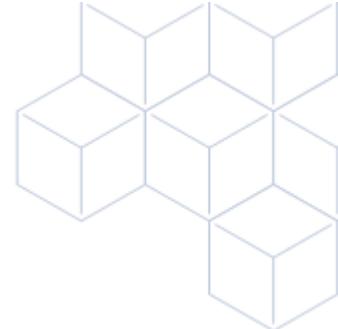


**GLENBRIAR TECHNOLOGIES INC.**  
**Statements of Income (Loss) and Comprehensive Income (Loss)**  
**Years ended September 30**  
(Expressed in Canadian Dollars)

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Managed information services	<b>2,938,613</b>	2,977,664
Equipment and software sales	<b>1,752,357</b>	1,182,998
Other income	<b>4,582</b>	23,568
<b>Gross revenue</b>	<b>4,695,552</b>	4,184,230
Cost of services (note 11)	<b>1,747,450</b>	1,889,293
Cost of goods sold	<b>1,455,762</b>	939,494
<b>Gross profit</b>	<b>1,492,340</b>	1,355,443
<b>Other (income) expenses</b>		
General and administrative (note 11)	<b>1,036,400</b>	1,153,701
Sales and marketing (note 11)	<b>196,906</b>	219,315
Foreign exchange (gain) loss	<b>(5,467)</b>	22,487
<b>EBITDA (Earnings before interest, taxes and depreciation)</b>	<b>264,501</b>	(40,060)
Depreciation of property and equipment	<b>126,875</b>	42,302
<b>Income (loss) from operations</b>	<b>137,626</b>	(82,362)
Finance expense (note 16)	<b>93,842</b>	109,267
<b>Net income (loss) and comprehensive income (loss)</b>	<b>43,784</b>	(191,629)
<b>Net income (loss) per share</b>		
Basic and diluted (note 9)	<b>0.00</b>	<b>(0.00)</b>

The accompanying notes are an integral part of these financial statements

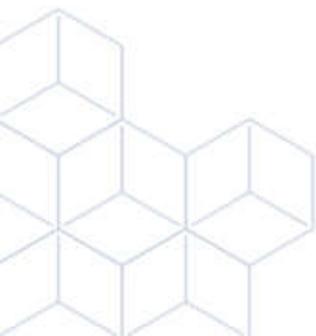




**GLENBRIAR TECHNOLOGIES INC.**  
**Statements of Changes in Shareholders' Deficiency**  
**Years ended September 30**  
(Expressed in Canadian Dollars)

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Common Shares (note 9)</b>		
Balance, beginning of year	<b>4,279,555</b>	4,279,555
<b>Balance, end of year</b>	<b>4,279,555</b>	4,279,555
<b>Deficit</b>		
Balance, beginning of year	<b>(4,719,855)</b>	(4,528,226)
Net income (loss) for the year	<b>43,784</b>	(191,629)
<b>Balance, end of year</b>	<b>(4,676,071)</b>	(4,719,855)

The accompanying notes are an integral part of these financial statements





**GLENBRIAR TECHNOLOGIES INC.**

**Statements of Cash Flows**

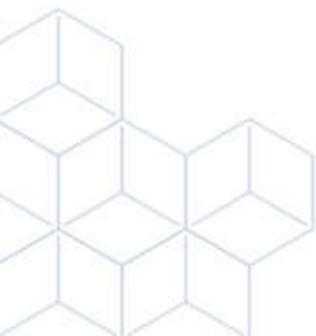
**Years ended September 30**

(Expressed in Canadian Dollars)

	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
<b>Cash flows related to the following activities</b>		
<b>Operating</b>		
Net income (loss)	<b>43,784</b>	(191,629)
Adjustments for:		
Depreciation of property and equipment	<b>126,875</b>	42,302
Deferred rent	<b>(5,971)</b>	(4,478)
Total before changes in non-cash working capital	<b>164,688</b>	(153,805)
Changes in non-cash working capital (note 13)	<b>(26,872)</b>	209,672
Net cash provided by operating activities	<b>137,816</b>	55,867
<b>Financing</b>		
Advances from (repayments of) bank indebtedness, net	<b>(27,141)</b>	192,362
Repayments of finance leases	<b>(55,161)</b>	(35,863)
Repayments of finance loans	<b>(26,884)</b>	(11,920)
Net cash provided by (used in) financing activities	<b>(109,186)</b>	144,579
<b>Investing</b>		
Capital expenditures	<b>(17,910)</b>	(369,803)
Net cash used in investing activities	<b>(17,910)</b>	(369,803)
Net change in cash and cash equivalents	<b>10,720</b>	(169,357)
Cash and cash equivalents, beginning of year	<b>49,139</b>	218,496
<b>Cash and cash equivalents, end of year</b>	<b>59,859</b>	49,139

Supplementary cash flow information (note 13)

The accompanying notes are an integral part of these financial statements





**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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**1. REPORTING ENTITY**

Glenbriar Technologies Inc. (“Glenbriar” or “Corporation”) was incorporated under the Alberta Business Corporations Act on July 15, 1994. The Corporation operates primarily in the information technology sector and has only one operating segment. The Corporation’s head office is located at 1100, 736 – 8 Ave SW, Calgary, Alberta, Canada, T2P 1H4.

**2. BASIS OF PRESENTATION**

*Statement of compliance*

These financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

A summary of the Corporation’s significant accounting policies under IFRS is presented in note 3. These policies have been consistently applied.

The financial statements and notes were authorized for issue by the Corporation’s board of directors on January 26, 2017.

*Basis of measurement and going concern*

The financial statements have been prepared on a going concern basis using the historical cost convention, except for cash and cash equivalents, which are measured at fair value.

These financial statements have been prepared on the basis that the Corporation will continue as a going concern, which assumes that the Corporation will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Corporation’s ability to continue as a going concern. As at September 30, 2016, the Corporation has negative working capital of \$542,969 (2015 - \$(584,841)) and has an accumulated deficit of \$ 4,676,071 (2015 - \$ 4,719,855)). The Corporation posted net income during the year ended September 30, 2016 of \$ 43,784 (2015 – net loss of \$(191,629)). In addition, the Corporation was in default of a covenant on its credit facility and the Corporation was required to enter into a forbearance agreement with its lender (note 5). In order to continue as a going concern, the Corporation will need to generate positive cash flows from operations or obtain additional debt or equity financing. In December 2016, a long term employee advanced \$200,000 to assist with the transition away from the bank line and to provide additional liquidity over the coming year (see note 17). Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to September 30, 2016 is uncertain. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

*Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Corporation’s functional currency.

*Use of estimates and judgements*

The preparation of the Corporation’s financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods presented. Estimates and judgements are



**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual results could differ from the estimates.

The following discussion sets forth management's most critical estimates and assumptions in determining the value of assets, liabilities and equity:

*Valuation of accounts receivable*

The recoverability of accounts receivable is based upon its past history of recovery and specific doubtful accounts.

*Capitalization of property and equipment*

Property and equipment includes the capitalization of general and administrative expenses related to the cost to develop and complete office systems and data centre equipment. The amounts capitalized have been estimated based on estimates of employees' time on the specific projects.

*Useful life and valuation of property and equipment*

Property and equipment are depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could increase or decrease the amount of depreciation recorded during the year. The carrying value of property and equipment is estimated by management to be recoverable at its depreciated cost.

*Income taxes*

The measurement of income taxes requires management to make judgements in the interpretation and application of relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements. The availability of tax pools is subject to audit and interpretation by taxation authorities. There are no current or deferred income taxes recognized in the financial statements as disclosed in note 14 and management estimates that these items have been fairly valued.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

*Revenue recognition*

Managed information services revenue is recognized as services are rendered. In cases where collectability is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

Equipment and software sales relate to hardware and software products purchased and resold to customers. The revenue from these sales is recognized upon shipment and collection of the related receivable is reasonably assured. Software licences paid in advance for proprietary software, which include ongoing support and maintenance obligations, are deferred and recognized over the period of those obligations.

Other income relates to miscellaneous income amounts and is recognized in the period earned and when determined to be receivable.

*Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on deposit with banks and short-term deposits with initial maturities of three months or less.



**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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*Property and equipment*

Upon initial recognition, computer hardware, office operating systems, data centre equipment and office equipment are recorded at cost, being the purchase price and directly attributable costs of acquisition, development or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Corporation. Subsequent measurement is at cost less accumulated depreciation less any accumulated impairment losses. When parts of property and equipment have different useful lives, they are accounted for as separate components of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probably that the future economic benefit associated with the item will flow to the Corporation and the cost of the item can be measure reliably. The carrying amount of a replaced asset is derecognized after replacement. Repairs and maintenance are charged to the statement of income during the period in which they occur.

Depreciation on computer hardware and office equipment is recorded using the declining-balance method at rates of 30% and 20%, respectively. Depreciation on office operating systems and data centre equipment is on a straight line basis over 5 years.

*Finance leases*

Finance leases that transfer substantially all the benefits and risks of ownership to the Corporation are accounted for at the commencement of the lease term as finance leases and recorded as property and equipment at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments, together with an offsetting liability. Finance charges are allocated to each period in accordance with the applicable agreements and are charged directly to income as finance expenses. Capitalized leased assets are amortized in accordance with the Corporation's property and equipment policy. All other leases are accounted for as operating leases and the lease costs are expensed as incurred.

*Government assistance*

The Corporation may be entitled to investment tax credits or other incentives based on certain research and experimental development costs incurred. These amounts are netted against the related assets in expenses in the period in which they are earned and realization is considered to be probable. Investment tax credits or other incentives may be subject to assessment and approval by the applicable government authority. Adjustments, if any are required, are reflected in the year when such assessments are received. No government tax credits or incentives were earned or recorded during 2016 or 2015.

*Impairment of non-financial assets*

At each reporting date, the Corporation's non-financial assets are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of income (loss).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The recoverable amount is based on the higher of fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows to be derived from the asset in its current state are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the assets.



**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount, with the exception of impairment losses on goodwill which are not reversed. When an impairment loss is reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed what the carrying amount would have been had no impairment losses been recognized for the asset in prior periods. There was no impairment of the Corporation's property and equipment determined during the years ended September 30, 2016 or 2015.

*Income taxes*

Income taxes are comprised of current and deferred taxes. Income tax expense (recovery) is recognized in income (loss) except to the extent that it relates to items recognized directly in equity or other comprehensive income (loss). Current taxes are the expected taxes payable on the taxable income for the period plus any adjustment to taxes payable in respect of previous periods. Deferred taxes are recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities and the amounts used for taxation purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences including carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred taxes are not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred taxes are not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred taxes are 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 taxation 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.

*Net income (loss) per common share*

The Corporation follows the treasury stock method to determine the dilutive effect of stock options or other potentially dilutive instruments. Under this method, basic net income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding for any potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method.

*Deferred rent*

Incentives such as rent-free periods are initially recognized as a deferred rent liability and amortized as a reduction in rental payments over the lease term. Deferred rent reflects rent free allowances on the office lease in Calgary. The lease term is 124 months ending January 31, 2022, including the rent free period.

*Provisions and contingencies*

A provision is recognized on the statement of financial position when the Corporation has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. No such provisions were required as at September 30, 2016 and 2015.



**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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*Foreign currency translation*

Foreign currency transactions are translated into the functional currency using the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign currency transactions are recorded at rates of exchange in effect at the statement of financial position date and any resulting gains or losses recorded in income for the period.

*Financial instruments*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost".

Financial assets are classified as loans and receivables, held-to-maturity, held-for-trading, designated at fair value through profit or loss and available-for-sale. Loans and receivables include all loans and receivables except debt securities, and are accounted for at amortized cost using the effective interest rate method and are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Held-to-maturity classification is restricted to fixed maturity non-derivative instruments that the Corporation intends and is able to hold to maturity, and is accounted for at amortized cost using the effective interest rate method. Held-for-trading and designated at fair value through profit or loss instruments are measured at fair value on the statement of financial position, with realized and unrealized gains and losses reported in net income and transactions costs are expensed when incurred. The remaining non-derivative financial assets are classified as available-for-sale. These are recorded at fair value, with gains or losses being recognized in other comprehensive income. Derecognition of a financial asset and other than temporary impairment losses are recognized in the statement of comprehensive income.

Financial liabilities are classified as held-for-trading, designated at fair value through profit and loss or financial liabilities measured at amortized cost. Held-for-trading and designated at fair value through profit and loss instruments are recorded at fair value with realized and unrealized gains and losses reported in income, and transaction costs being expensed when incurred. Financial liabilities measured at amortized cost and non-derivative instruments are accounted for at amortized cost using the effective interest rate and represent all financial liabilities not classified as held-for-trading or designated at fair value through profit and loss.

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and warrants are recognized as a deduction from equity, net of any tax effects.

The Corporation has designated accounts receivable as loans and receivables; and bank indebtedness, accounts payable and accrued liabilities, loans payable, finance leases and finance loans as financial liabilities measured and carried at amortized cost. The Corporation's cash and cash equivalents are classified as held-for-trading. Fair value is determined by reference to published price quotations. The Corporation does not have any derivative financial instruments.

The Corporation assesses at each reporting date, whether there is objective evidence that financial assets, other than those designated as fair value through profit or loss are impaired. When impairment has occurred, the cumulative loss is recognized in the statement of income (loss). For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an "available-for-sale" financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statement of income (loss) in the period. Impairment losses may be reversed in subsequent periods.



**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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*Finance income and expenses*

Finance income is comprised of interest earned on cash and cash equivalents held at financial institutions and is recognized as it accrues in the statement of income (loss) using the effective interest method.

Finance expense is comprised of interest expense on borrowings, and impairment losses recognized on financial assets. For the years ended September 30, 2016 and 2015, finance expense consists of interest on the Corporation's bank indebtedness, loans payable, finance leases, and accounts payable and accrued liabilities.

Borrowing costs incurred for the acquisition or construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. A qualifying asset is one that takes a substantial period of time to get ready for use or sale. All other borrowing costs are recognized in the statement of income (loss) using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Corporation's outstanding borrowings during the year.

*Recent accounting pronouncements not yet adopted*

The Corporation continues to assess the impact of adopting the following pronouncements from the IASB:

*For annual periods beginning on or after January 1, 2018:*

*IFRS 9, "Financial Instruments"* provides a comprehensive standard for accounting for financial instruments. The package of improvements introduced by IFRS 9 includes a logical model for classification and measurement, a single, forward-looking 'expected-loss' impairment model and a substantially reformed approach to hedge accounting.

*IFRS 15, "Revenue from Contracts with Customers"* outlines how to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Corporation expects to be entitled in exchange for those goods and services. IFRS 15 also results in enhanced disclosures about revenue, provides guidance for transactions not previously addressed comprehensively (for example, service revenue and contract modifications) and improves guidance for multiple-element arrangements.

*For annual periods beginning on or after January 1, 2019:*

*IFRS 16, "Leases"* specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, and lessor accounting is substantially unchanged from its predecessor, IAS 17. Upon adoption, a lessee shall either apply IFRS 16 with full retrospective effect, or alternatively, not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity. Early adoption is permitted if IFRS 15 is also adopted.





**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

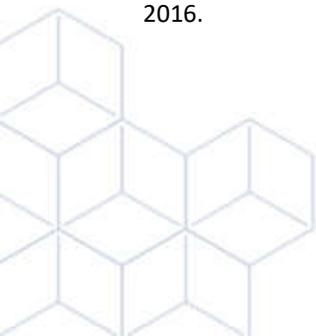
**4. PROPERTY AND EQUIPMENT**

	<b>Computer Hardware \$</b>	<b>Office Operating Systems \$</b>	<b>Data Centre Equipment \$</b>	<b>Office Equipment \$</b>	<b>Total \$</b>
<b><u>Cost</u></b>					
September 30, 2014	603,416	-	-	108,397	711,813
Additions	3,078	294,167	324,346	1,936	623,527
September 30, 2015	606,494	294,167	324,346	110,333	1,335,340
Additions	-	-	64,820	1,110	65,930
<b>September 30, 2016</b>	<b>606,494</b>	<b>294,167</b>	<b>389,166</b>	<b>111,443</b>	<b>1,401,270</b>
<b><u>Accumulated depreciation</u></b>					
September 30, 2014	535,870	-	-	99,538	635,408
Additions	20,726	19,611	-	1,965	42,302
September 30, 2015	556,596	19,611	-	101,503	677,710
Additions	14,970	58,832	51,196	1,877	126,875
<b>September 30, 2016</b>	<b>571,566</b>	<b>78,443</b>	<b>51,196</b>	<b>103,380</b>	<b>804,585</b>
<b><u>Net book value</u></b>					
September 30, 2014	67,546	-	-	8,859	76,405
September 30, 2015	49,898	274,556	324,346	8,830	657,630
<b>September 30, 2016</b>	<b>34,928</b>	<b>215,724</b>	<b>337,970</b>	<b>8,063</b>	<b>596,685</b>

During the year ended September 30, 2015, no depreciation was recorded on the data centre equipment as the property and equipment was not available for use. During the year ended September 30, 2016, the Corporation capitalized \$16,800 (2015 - \$169,991) and \$nil (2015 - \$190,338) in general and administrative costs consisting of salaries and benefits to office operating systems and data centre equipment. At September 30, 2016, the net book value of property and equipment under finance leases (note 7) was \$175,734 (2015 - \$154,335).

**5. BANK INDEBTEDNESS**

Glenbriar entered into a revolving demand credit facility with the Royal Bank of Canada in March 2015. The total borrowings are secured by a general security agreement over Glenbriar's current and after acquired assets, and postponement of loans payable. The bank indebtedness bears interest at the bank's floating base rate plus 2.25% per annum. At September 30, 2016, the interest rate was 4.95%. The bank indebtedness required the Corporation to maintain a ratio of liabilities to tangible net worth of not greater than 4:1 at the end of the fiscal year. At September 30, 2015, the Corporation was in default of the covenant, leading to suspension of the facility in February 2016. The Corporation then entered in to an agreement with the Bank to repay the balance at \$20,000 per month commencing in April 2016 (at which time the balance was \$292,000) through September 2016, with the remaining balance due in full in October 2016. This agreement was extended in December 2016 to continue the monthly payments until April 2017, with the remaining balance now due in May 2017. The balance outstanding as of September 30, 2016 was \$165,221. The Corporation remains in default of the covenant at September 30, 2016.





**GLENBRIAR TECHNOLOGIES INC.**  
**Notes to the Financial Statements**  
**Years ended September 30, 2016 and 2015**

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**6. LOANS PAYABLE**

Loans payable at September 30, 2016 in the amount of \$345,000 (September 30, 2015 - \$345,000) consist of net advances from officers of the Corporation, secured by a general security agreement, and bear interest at the rate of interest charged on the bank indebtedness (note 5). The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2016, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of \$17,100 is included in accounts payable (2015 - \$45,564).

Finance expense includes \$17,100 of interest on the advances in fiscal 2016 (2015 - \$17,077), which corresponds to an average interest rate of 5% for 2016 (2015 - 5%).

**7. FINANCE LEASES**

Glenbriar entered into two (2015 - four) new finance leases in fiscal year 2016 to facilitate its new cloud infrastructure. Finance leases consist of six equipment leases. The equipment leases bear interest ranging between 12.33% and 16.52% annually and require blended monthly payments of interest and principal. The final payments are due between November 2017 and September 2019.

Minimum lease payments related to the finance leases are as follows:

	Principal	Imputed interest	Minimum lease payments
2017	\$ 69,080	\$ 11,932	\$ 81,012
2018	34,446	3,110	37,556
2019	7,806	666	8,472
	<u>\$ 111,332</u>	<u>\$ 15,708</u>	<u>\$ 127,040</u>

**8. FINANCE LOANS**

The finance loans relate to the purchase of two office operating systems. The finance loans are non-interest bearing and unsecured. The final payments are due on December 1, 2018 and February 1, 2019. The payments on the finance loans are as follows:

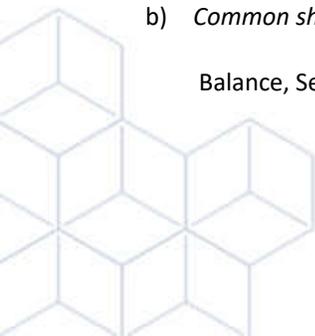
	\$
2017	<u>25,965</u>
2018	25,965
2019	<u>8,654</u>
	<u>\$60,584</u>

**9. SHARE CAPITAL**

- a) *Authorized*  
Unlimited number of common shares  
Unlimited number of preferred shares of one or more series

- b) *Common shares issued and outstanding*

	Number of shares	Amount \$
Balance, September 30, 2016 and 2015	<u>48,421,510</u>	<u>4,279,555</u>





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c) *Net income (loss) per share*

There are no equity instruments that could potentially dilute basic earnings (loss) per share outstanding at September 30, 2016.

d) *Weighted average shares outstanding*

	<u>2016</u>	<u>2015</u>
Basic and diluted	<b>48,421,510</b>	48,421,510

**10. COMMITMENTS**

As of September 30, 2016, the Corporation was committed to the following minimum annual payments and estimated operating costs payable to lessors for office leases, which expire at various dates through January 2022:

	<u>\$</u>
2017	264,686
2018	217,253
2019	197,086
2020	197,086
2021	197,086
2022	65,695
Total	<u>1,138,892</u>

**11. RELATED PARTY TRANSACTIONS**

General and administrative expense includes remuneration of the key management personnel, which includes senior management, directors and officers of the Corporation. For fiscal 2016, remuneration of \$496,637 related to salaries, benefits and cash-based compensation (2015 - \$499,641) was incurred to key management personnel. Total salaries and benefits, including amounts included in cost of services, general and administrative, sales and marketing, and property and equipment, were \$2,148,341 in 2016 (2015 - \$2,651,296).

See notes 6 and 17 regarding loan advances to the Corporation by key management.

**12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Corporation's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risk. This note presents information about the Corporation's exposure to each of the above risks, the Corporation's objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital. Further quantitative disclosures are included throughout these financial statements. The Corporation employs risk management strategies and polices to ensure that any exposure to risk comply with the Corporation's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Corporation's risk management framework, the Corporation's management has the responsibility to administer and monitor these risks.

*Fair value of financial instruments*

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank indebtedness, loans payable, finance leases and finance loans. The carrying values of the Corporation's accounts receivable, accounts payable and accrued liabilities and finance loans approximate their respective



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fair values due to their short term maturity. As the Corporation's bank indebtedness and loans payable bear interest at floating market rates, the respective carrying values approximate fair value.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities.

Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. The financial instruments in the Corporation's financial statements, measured at Level 1 fair value, are cash and cash equivalents.

*Credit risk*

The Corporation is exposed to normal credit risk from customers. Accounts receivable are generally unsecured, subject to the Corporation's ability to file security interest under certain conditions. Accounts receivable are normally collected 30 days after invoicing. Default rates on unsecured credit have traditionally been below 1% of annual sales. The Corporation's customer accounts are aged as follows: current – \$224,000 (2015 - \$253,000); 30-60 days – \$55,000 (2015 - \$47,000); 61-90 days – \$16,000 (2015 - \$27,000); 91 days or older – \$67,000 (2015 - \$14,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of \$11,817 (2015 - \$27,728), all relating to past due accounts 91 days or older. Licences for proprietary software cease to function if payments are not kept current. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries. At September 30, 2016, the Corporation had \$38,154 (2015 - \$55,949) due from one customer, representing 10.5% (2015 – 16%) of trade receivables at September 30, 2016. Additional sales and services may be withheld if a customer falls to pay its obligations in a timely manner.

The Corporation is also subject to credit risk through its cash and cash equivalents. As cash and cash equivalents are held in a reputable financial institution, concentration of credit risk is considered minimal.

*Liquidity risk*

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. For the year ended September 30, 2016, the Corporation had net income of \$43,784, cash flow from operating activities before changes in non-cash working capital of \$164,688, and working capital of \$(542,969) as at September 30, 2016. The Corporation's financial liabilities, comprised of bank indebtedness which are due on demand and accounts payable and accrued liabilities of \$631,395, are due and payable within less than one year. Loans payable of \$345,000 are due in more than a year (see note 6). Finance leases are due over the terms of the leases (see note 7). Finance loans are due over the terms of the loans (see note 8). Deferred revenue of \$100,560 is a non-cash item, which does not directly affect cash working capital used to maintain operations.



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The Corporation will also continue to seek additional investment to improve its working capital position, but there is no certainty that it will be able to achieve that objective under current market conditions (see note 2).

Management believes that its ongoing cash flow from operating activities, based on current internal operating forecasts, will be sufficient to satisfy its current and future obligations as they become due and to fund ongoing operations. The Corporation has additional commitments as outlined in note 10.

A contractual maturity analysis of the Corporation's financial liabilities is as follows:

Financial liabilities	2017	2018	2019	Total
Bank indebtedness	165,221	-	-	165,221
Accounts payable	631,395	-	-	631,395
Loans payable	-	345,000	-	345,000
Finance leases	69,080	34,446	7,806	111,332
Finance loans	25,965	25,965	8,654	60,584
	<u>891,661</u>	<u>405,411</u>	<u>16,460</u>	<u>1,313,532</u>

*Market risk*

*Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates or availability of capital. The Corporation is exposed to interest rate risk on any outstanding drawings on its bank indebtedness and loans payable. An increase or decrease in the interest rate of 1% would result in approximately a \$5,102 (2015 - \$5,374) adjustment to the 2016 net income reported based upon the outstanding balances as of September 30, 2016.

*Foreign exchange risk*

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. During fiscal 2016, 1% (2015 - 1%) of total revenue was denominated in US dollars. At September 30, 2016, approximately \$541 (2015 - \$17,393), \$29,886 (2015 - \$44,360), \$48,757 (2015 - \$53,569) and \$46,859 (2015 - \$65,544) of the Corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and finance loans were denominated in US dollars, respectively. An increase in value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts, while a decrease in the value of the Canadian dollar will increase the amounts. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US\$ would increase or decrease the reported income by approximately \$652 (2015 - \$574). The Corporation has no contracts in place to mitigate this exposure.

*Capital management*

The Corporation's goal is to develop a strong capital base to meet its growth objectives, while maintaining the ability to fulfill its financial obligations, finance internal growth and fund potential acquisitions. The Corporation may be required to seek additional equity or debt financing, reduce its operations or to limit its growth to maintain liquidity. The Corporation does not have adequate surplus capital on hand to establish and implement a robust marketing and sales program or to make strategic acquisitions. Accordingly, the Corporation may reasonably be expected to issue additional equity or obtain more debt to achieve the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution



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of their share holdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative future events

The Corporation's capital structure includes working capital (deficiency). The Corporation's capital management objectives, evaluation measures and targets have remained unchanged over the periods presented. The Corporation's capital is not subject to any external restriction, except for the bank loan covenants (note 5).

The Corporation's defined capital at September 30, 2016 is as follows:

	\$
Current assets	455,223
Current liabilities	998,192
Working capital deficiency	<u>(542,969)</u>

**13. SUPPLEMENTARY CASH FLOW INFORMATION**

Cash and cash equivalents at September 30, 2016 and 2015 were entirely comprised of cash on deposit.

*a) Changes in non-cash working capital:*

	2016	2015
	\$	\$
Accounts receivable	<b>(21,404)</b>	241,376
Inventory	-	8,197
Prepaid expenses	<b>(3,764)</b>	(3,459)
Accounts payable and accrued liabilities	<b>4,888</b>	(82,251)
Deferred revenue	<b>(6,592)</b>	45,809
Total	<b>(26,872)</b>	209,672

*b) Cash interest paid*

<b>87,125</b>	57,440
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*c) Cash equivalents:*

Cash equivalents includes a guaranteed investment certificate of \$15,000 (2015 - \$nil) bearing interest and 1.35% and maturing in July 2017.

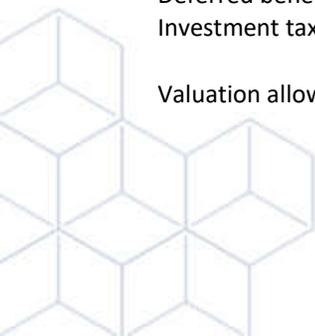
*d) Non-cash transactions:*

During the year ended September 30, 2016, the Corporation acquired property and equipment valued at \$48,020 (2015 - \$154,335) by way of finance leases and \$nil (2015 - \$99,389) by way of finance loans.

**14. INCOME TAXES**

The components of the deferred income tax asset amounts as at September 30, 2016 and 2015 are as follows:

	2016	2015
	\$	\$
Excess of tax basis over carrying value on long-term assets	<b>116,294</b>	286,391
Deferred benefit of current and prior years' losses	<b>1,007,867</b>	982,463
Investment tax credits	-	24,000
	<b>1,124,161</b>	1,292,854
Valuation allowance	<b>(1,124,161)</b>	(1,292,854)
	<u>-</u>	<u>-</u>





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Management has assessed the net deferred tax asset using the criteria of whether it is probable that the deferred tax assets can be realized. Based on the uncertainty of future taxable income, management has recorded an offsetting valuation allowance for the full amount of the deferred tax asset as at September 30, 2016 and 2015.

As at September 30, 2016, the Corporation had non-capital losses of approximately \$3.8 million available to be carried forward to reduce future taxable income. The benefit of these credits and losses has not been recognized in the financial statements. These credits and losses expire as follows:

	<b>Non-capital losses</b>
	<b>\$</b>
2026	320,000
2027	267,000
2028	751,000
2029	698,000
2030	1,119,000
2033	134,000
2035	558,000

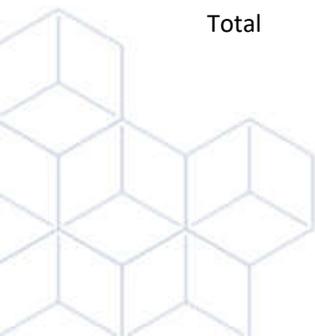
The Corporation also has approximately \$718,000 and \$141,000 of undepreciated capital cost and cumulative eligible capital property, respectively, with no expiry date.

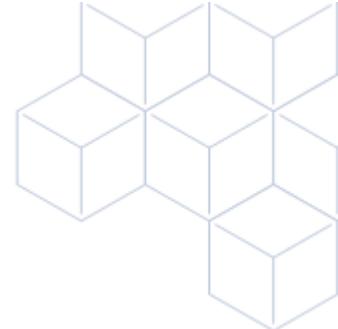
Income tax expense (recovery) differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective years' loss before income taxes. The following schedule explains the differences between the expected and actual tax expense (recovery):

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Income (loss) before income taxes	<b>43,784</b>	(191,629)
Expected income taxes – statutory rate of 26.2% (2015 – 25.7%)	<b>11,471</b>	(49,249)
Effect of tax rate changes	-	(56,567)
Expiry of non-capital losses	<b>72,945</b>	-
Adjustments to tax pools and other	<b>84,277</b>	5,418
Provision for deferred income taxes before valuation allowance	<b>(168,693)</b>	(100,398)
Change in valuation allowance	<b>168,693</b>	100,398
	<b>-</b>	<b>-</b>

**15. SUPPLEMENTARY ACCOUNTS RECEIVABLE AND PAYABLE INFORMATION**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accounts receivable components:		
Trade receivables	<b>373,941</b>	368,448
Allowance for doubtful accounts	<b>(11,817)</b>	(27,728)
Total	<b>362,124</b>	340,720





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	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Accounts payable and accrued liabilities components:		
Trade payables	<b>494,735</b>	428,109
Accrued salaries and wages	<b>96,725</b>	136,129
Sales tax payable	<b>1,815</b>	18,599
Other payables	<b>38,120</b>	43,670
Total	<b>631,395</b>	626,507

**16. FINANCE EXPENSE**

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Interest on bank indebtedness	<b>22,775</b>	25,041
Finance charges	<b>35,171</b>	51,757
Interest on finance leases	<b>18,796</b>	15,392
Interest on loans payable	<b>17,100</b>	17,077
	<b>93,842</b>	109,267

**17. SUBSEQUENT EVENT**

During December 2016, a long-term employee agreed to advance \$200,000 to assist with the transition away from the bank line and to provide additional liquidity over the coming year. This increased the management loan advance as of December 31, 2016 to \$545,000, which is secured by a second charge on all of Glenbriar's existing and future property, and is subject to the same interest rate and prepayment terms. As an additional incentive to making the advance, two officers have agreed to transfer 1 million common shares of the Corporation each for a total of 2 million common shares of the Corporation to the long-term employee.

