Collins Barrow Calgary LLP
1400, 777 – 8 Ave SW
Calgary, AB T2P 3R5

Telephone: +1-403-298-1500
Facsimile: +1-403-298-5814
www.collinsbarrow.com

Independent Auditors' Report

To the Shareholders of
Glenbriar Technologies Inc.

We have audited the accompanying consolidated financial statements of Glenbriar Technologies Inc. and its subsidiaries, which comprise the consolidated balance sheets as at September 30, 2011 and September 30, 2010, and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years ending September 30, 2011 and September 30, 2010, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of Glenbriar Technologies Inc. and its subsidiaries as at September 30, 2011 and September 30, 2010, and the results of their operations and cash flows for the years ended September 30, 2011 and September 30, 2010 in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements which describes conditions that indicate the existence of an uncertainty that may cast doubt upon the Corporation's ability to continue operating as a going concern. Our opinion is not qualified in respect of this matter.

Calgary, Alberta	(signed) “Collins Barrow Calgary LLP”
December 2, 2011	Chartered Accountants

GLENBRIAR TECHNOLOGIES INC.
Consolidated Balance Sheets
September 30, 2011 and 2010

	2011 $	2010 $
ASSETS		
CURRENT		
Cash and cash equivalents	**118,854**	76,832
Marketable securities (note 4)	**17,712**	22,543
Accounts receivable	**636,740**	643,058
Inventory	**63,116**	19,285
Prepaid expenses	**41,004**	15,982
	877,426	777,700
Proprietary software (note 5)	**-**	120,981
Customer lists (note 5)	**-**	37,875
Property and equipment (note 5)	**62,887**	101,270
	940,313	1,037,826
LIABILITIES		
CURRENT		
Demand credit facility (note 6)	**68,457**	192,438
Accounts payable and accrued liabilities	**713,346**	647,448
Deferred revenue	**200,425**	159,433
Loans payable – current portion (note 7)	**67,354**	68,000
	1,049,582	1,067,319
Loans payable (note 7)	**330,000**	356,500
	1,379,582	1,423,819
SHAREHOLDERS' DEFICIENCY		
Share capital (note 8(b))	**4,263,639**	4,087,055
Deficit	**(4,702,908)**	(4,473,048)
	(439,269)	(385,993)
	940,313	1,037,826

Basis of presentation (note 1)
Commitments and contingencies (note 11)

APPROVED BY THE BOARD

(signed). . . . . Director

(signed). . . . . Director

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Loss, Comprehensive Loss and Deficit
Years Ended September 30, 2011 and 2010

	2011 $	2010 $
REVENUE		
Managed information services	**3,491,492**	3,205,689
Equipment and software sales	**2,546,302**	1,860,573
Interest and other income	**13,936**	14,726
	6,051,730	5,080,988
EXPENSES		
Managed information services	**2,675,979**	2,379,874
Cost of goods sold	**1,777,304**	1,375,714
General and administrative	**1,093,193**	959,710
Sales and marketing	**348,547**	241,175
Research and development	**102,000**	120,000
	5,997,023	5,076,473
Earnings before the following items	**54,707**	4,515
Amortization	**196,653**	299,657
Interest and bank charges	**43,068**	44,629
Stock-based compensation (note 8(d))	**27,339**	99,860
Gain on sale of marketable securities (note 3)	**-**	(310)
Unrealized loss (gain) on marketable securities	**4,831**	(23,944)
Foreign exchange loss	**12,676**	8,491
NET LOSS AND COMPREHENSIVE LOSS	**(229,860)**	(423,868)
DEFICIT, BEGINNING OF YEAR	**(4,473,048)**	(4,049,180)
DEFICIT, END OF YEAR	**(4,702,908)**	(4,473,048)
LOSS PER SHARE		
Basic and diluted	**(0.01)**	(0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	**45,772,514**	40,717,121

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2011 and 2010

	2011 $	2010 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss	**(229,860)**	(423,868)
Adjustments for:		
Amortization	**196,653**	299,657
Amortization of deferred leasehold allowance	**-**	(8,000)
Stock-based compensation	**27,339**	99,860
Unrealized loss (gain) on marketable securities	**4,831**	(23,944)
Gain on sale of marketable securities (note 4)	**-**	(310)
Write off of property and equipment	**5,892**	-
Issuance of common shares for services (note 8(c))	**5,000**	-
	9,855	(56,605)
Changes in non-cash working capital (note 13)	**44,355**	(34,761)
	54,210	(91,366)
FINANCING		
Issuance of common shares	**144,245**	205,677
Net repayment of demand credit facility	**(123,981)**	(171,948)
Net (decrease) increase in loans payable	**(27,146)**	40,000
	(6,882)	73,729
INVESTING		
Acquisition of property and equipment	**(5,306)**	(4,864)
Proceeds on disposal of marketable securities (note 3)	**-**	15,380
	(5,306)	10,516
Increase (decrease) in cash and cash equivalents	**42,022**	(7,121)
Cash and cash equivalents, beginning of year	**76,832**	83,953
CASH AND CASH EQUIVALENTS, END OF YEAR	**118,854**	76,832
Comprised of:		
Cash on deposit	**118,854**	76,832

Supplementary cash flow information (note 13)

Notes to Consolidated Financial Statements for the Years ended September 30, 2011 and 2010

1. BASIS OF PRESENTATION

Glenbriar Technologies Inc. ("Corporation") was incorporated under the Business Corporations Act (Alberta) on July 15, 1994. The consolidated financial statements for the years ended September 30, 2011 and 2010 include the accounts of its subsidiaries, Peartree Software Inc. ("Peartree"), Glenbriar Solutions Inc., Kingdom Computer Services Inc. and Glenbriar Limited Partnership (see note 3). During the years ended September 30, 2011 and 2010, the Corporation operated primarily in the information technology sector and had only one reportable operating segment.

The consolidated financial statements have been prepared on a going concern basis, which presumes the Corporation will continue to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the year ended September 30, 2011, the Corporation had a net loss of $229,860 (2010 – $423,868), cash flow from operating activities before changes in non-cash working capital of $9,855 (2010 – $(56,605)), and a working capital deficiency in the amount of $172,156 as at September 30, 2011 (2010 – $289,619). The Corporation's continuing operations are dependent on its ability to take appropriate measures, including one or more of managing cash on hand, increasing sales, reducing expenses, or raising additional equity or debt financing to meet its obligations and repay its liabilities in the normal course. See also notes 9 and 12. Although the Corporation's working capital position improved in fiscal 2011 over 2010, there is no assurance that management will continue to be successful in implementing appropriate measures.

2. SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of the Corporation's consolidated financial statements in conformity with Canadian generally accepted accounting policies ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods presented. Significant estimates include the assessment of recoverability of carrying values of the Corporation's accounts receivable, property and equipment, and future income tax assets. Actual results could differ from the estimates.

Revenue recognition

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment. 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. 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.

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.

Inventory

Inventory is comprised mainly of equipment and spare parts, and is carried at the lower of cost and net realizable value. Cost is measured on a first-in, first-out basis. The total amount of inventory recognized during the year as an expense, including inventory write downs to net realizable value of $19,408 and $28,621 for 2011 and 2010, respectively, was $1,680,753 (2010 - $1,171,136).

Proprietary software

Research and development costs incurred prior to the establishment of the technological and financial feasibility of a particular software project are expensed as incurred. Software development costs which are directly attributable to these activities are capitalized when certain criteria are met, including that the technological and financial feasibility of a project is established. Amortization of proprietary software is recorded over the period of expected benefit of five years on a straight line basis.

If the carrying value is determined to be unrecoverable based on future estimated undiscounted cash flows, the carrying value of the proprietary software is written down to fair value and the excess is charged to earnings. The fair value is based on management's estimate of discounted future cash flows from the related software asset. There was no impairment of proprietary software recorded during the years ended September 30, 2011 or 2010.

Customer lists

Customer lists were acquired as part of prior years' corporate acquisitions. Customer lists are amortized over the period of the expected benefit on a straight line basis over 36 months. If the carrying value is determined to be unrecoverable based on the future estimated undiscounted cash flows, the carrying value of the customer lists is written down to fair value and the excess is charged to earnings. The fair value is based on management's estimate of discounted future cash flows from the related customer lists. There was no impairment of customer lists recorded during the years ended September 30, 2011 or 2010.

Property and equipment

Computers and office equipment are recorded at cost. Amortization is recorded using the declining-balance method at rates ranging from 20% - 30% per year. Leasehold improvements are amortized over the term of the lease (5 years). If the carrying value of an asset exceeds the projected undiscounted future net cash flow from its use and disposal, a reduction of the carrying value to the fair value would be recorded.

Foreign currency transactions

Revenue and expenses are recorded at the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign exchange transactions are recorded at rates of exchange in effect at the balance sheet date and any resulting gains or losses recorded in income for the period.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets. Future tax assets are recognized to the extent they are more likely than not to be realized.

Stock-based compensation

The Corporation has a stock option plan as described in note 8(e). The Corporation records an expense for stock options issued based on the fair value at the date of grant, calculated using the Black-Scholes option pricing model with a corresponding credit to contributed surplus. No stock options were issued or outstanding under this plan as of September 30, 2011 or 2010.

Stock-based compensation expense represents the estimated fair value of the Corporation's quarterly contributions of treasury shares to the employee share purchase plan implemented in February 2008, as described in note 8(d). The estimated fair value of the shares issued is based on the market price at the date of issue. These contributions are expensed as incurred.

Earnings (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 earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings 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 if potentially dilutive stock options or other instruments were exercised for common shares using the treasury stock method.

Comprehensive income, equity, financial instruments and hedges

Financial assets are classified as loans and receivables, held-to-maturity, held-for-trading and available-for-sale. Loans and receivables include all loans and receivables except debt securities, and are accounted for at amortized cost. Held-to-maturity classification is restricted to fixed maturity instruments that the Corporation intends and is able to hold to maturity, and is accounted for at amortized cost. Held-for-trading instruments are recorded at fair value on the balance sheet, with realized and unrealized gains and losses reported in net income (loss). The remaining 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 earnings (loss).

Financial liabilities are classified as either held-for-trading or other financial liabilities. Held-for-trading instruments are recorded at fair value with realized and unrealized gains and losses reported in the statement of earnings (loss). Other financial liabilities instruments are accounted for at amortized cost, with gains and losses reported in the statement of earnings (loss) in the period that the liability recognition is derecognized or impaired.

Derivative instruments ("derivatives") are classified as held-for-trading unless designated as hedging instruments. All derivatives are recorded at fair value on the balance sheet. For derivatives that hedge the changes in fair value of an asset or liability, changes in the derivatives' fair value are reported in the statement of earnings (loss) and are substantially offset by changes in the fair value of the hedged asset or liability attributable to the risk being hedged. For derivatives that hedge variability in cash flows, the effective portion of the changes in the derivatives' fair values are initially recognized in other comprehensive income ("OCI"), and the ineffective portion is recorded in the statement of earnings (loss). Amounts temporarily recorded in accumulated OCI will subsequently be reclassified to the statement of earnings (loss) in the periods when the net earnings (loss) is affected by the variability in the cash flows of the hedged item.

The Corporation has designated accounts receivable as loans and receivables, accounts payable and accrued liabilities, loans payable and demand credit facilities as other financial liabilities, all of which are carried at amortized cost. The Corporation's cash and cash equivalents, and marketable securities are classified as held-for-trading. The Corporation's cash and cash equivalents and marketable securities are carried at fair value on the balance sheet, with any changes in the fair value recognized in the statement of earnings (loss). Fair value is determined by reference to published price quotations. The Corporation does not have any derivative financial instruments.

Adoption of new accounting policies

Business combinations

As of October 1, 2010, the Corporation early adopted changes in CICA section 1582, "Business Combinations", which replaced section 1581, "Business Combinations", and harmonizes Canadian standards related to business combinations with IFRS. This new section establishes revised standards on the recognition and measurement of identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, as well as recognition and measurement guidance for goodwill acquired in the business combination or the gain from a bargain purchase option. The new standard also provides guidance on identifying the acquirer and the acquisition date (being the date at which control is acquired), and on the presentation and disclosure to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The adoption of this new standard did not have any significant impact on the Corporation's current financial statements, but will result in changes to the accounting and disclosures for future business acquisitions.

Consolidated Financial Statements and Non-controlling Interests

As of October 1, 2010, the Corporation early adopted changes to CICA section 1601, "Consolidated Financial Statements" and section 1602, "Non-Controlling Interests", which together replace section 1600, "Consolidated Financial Statements". These sections establish revised standards for the preparation of consolidated financial statements and specifically discuss the consolidated accounting following a business combination involving the purchase of an equity interest of one company by another. These sections also provide guidance in situations involving a combination or consolidation other than through the purchase of an equity interest or involving an incorporated business. The adoption of this new standard did not have any impact on the Corporation's current financial statements, but will result in changes to the accounting and disclosures for future business acquisitions for which the Corporation does not acquire 100% of the issued and outstanding common shares.

Future accounting pronouncements

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada for public companies will converge with IFRS by the end of 2011. In February 2008, the AcSB confirmed that publicly traded companies will be required to change over to IFRS (replacing Canadian GAAP) for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, the effective transition date for the Corporation is October 1, 2011, with the first reporting period under IFRS being the three months ended December 31, 2011, including restatement of comparative periods.

The Corporation has developed its IFRS changeover plan, including analysis of key GAAP differences and assessment of accounting policies under IFRS, as well as potential IFRS 1 exemptions. The Corporation will complete its conversion to IFRS in the 2012 fiscal year commencing with the interim financial statements for the 3 months ended December 31, 2011.

The International Accounting Standards Board ("IASB") has also provided certain exemptions under IFRS 1 for entities adopting IFRS for the first time.

3. GLENBRIAR LIMITED PARTNERSHIP

Glenbriar Limited Partnership ("GLP") is an Alberta limited partnership which carries on the business of developing and extending the market for enterprise information technology solutions created or supported by the Corporation. The General Partner of GLP is Glenbriar Solutions Inc., which exercises control over GLP's operations. The Limited Partners of GLP are the Corporation, and from time to time, private investors who have provided capital to GLP by purchasing limited partnership units ("LP Units") at a price of $5,000 per LP Unit.

In December 2010, GLP issued 26 LP Units at a price of $5,000 each for gross proceeds of $130,000. On February 11, 2011, the Corporation purchased all of the outstanding LP Units in exchange for 100,000 common shares of the Corporation per Unit. Management, directors and employees purchased 21 LP Units. A selling concession of $2,500 was paid on the 5 LP Units not sold to management and employees.

The financial results of GLP are included in the Corporation's consolidated financial statements since inception, as Glenbriar Solutions Inc. has full control over GLP's operations and is a wholly owned subsidiary of the Corporation. In addition, the Corporation has the right to acquire all the LP Units not held by it directly.

For tax purposes, the Limited Partners are entitled to deduct their share of operating losses of GLP on December 31 of each year to a maximum of $5,000 for each LP Unit held. As a result, the Limited Partner's share of operating losses is not available to the Corporation to offset future taxable income.

4. MARKETABLE SECURITIES

Marketable securities are comprised of 322,038 (2010 – 322,038) common shares of Platinum Communications Corporation ("Platinum"), a public company traded on the TSX Venture Exchange. During the year ended September 30, 2010, 68,500 shares were sold for net proceeds of $15,380 and a realized gain of $310.

5. LONG-TERM ASSETS

	2011		
	Cost **$**	**Accumulated Amortization** **$**	**Net Book Value** **$**
Proprietary software	998,669	(998,669)	**-**
Customer lists	180,172	(180,172)	**-**
Computers and office equipment	645,850	(582,963)	**62,887**
Leasehold improvements	116,115	(116,115)	**-**
Property and equipment	761,965	(699,078)	**62,887**

	2010		
	Cost $	Accumulated Amortization $	Net Book Value $
Proprietary software	998,669	(877,688)	**120,981**
Customer lists	180,172	(142,297)	**37,875**
Computers and office equipment	646,436	(550,550)	**95,886**
Leasehold improvements	116,115	(110,731)	**5,384**
Property and equipment	762,551	(661,281)	**101,270**

Leasehold allowances received during 2006 of $43,107 and during 2004 of $87,100 were deferred and amortized over the 5 year lease term, and were fully amortized in fiscal 2010. Amortization of proprietary software, customer lists and property and equipment during the year was $120,981, $37,875 and $37,797 (2010 – $180,000, $60,057 and $59,600), respectively.

6. DEMAND CREDIT FACILITY

In April 2009, and as further amended in October 2009, the Corporation's revolving credit facility with a chartered bank was termed out over 41 months (subject to demand) commencing May 1, 2009 based on an initial balance of $411,372, with blended monthly payments of $11,085 including interest at the greater of 6% per annum or 3.5% above the bank's prime lending rate. An additional payment of $55,097 was due and paid on November 6, 2009 to reduce the outstanding principal balance to $300,000. The credit facility was amended on March 22, 2011 removing covenants relating to current and debt to equity ratios and periodic reporting. As at September 30, 2011, the Corporation was in compliance with all terms under the credit facility. Security is provided by a first charge over all of the Corporation's assets, and a guarantee by specific officers of the Corporation. The balance as at September 30, 2011 was $68,457 (September 30, 2010 – $192,438).

7. LOANS PAYABLE

Loans payable at September 30, 2011 in the amount of $397,354 (2010 - $424,500) consist of:

a) Net advances of $330,000 (2010 - $320,000) from officers of the Corporation secured by a general security agreement which bear interest at the rate of interest charged from time to time by the Bank of Montreal to its personal line of credit customers plus any insurance premium which may be payable. The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2011, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities. Fiscal 2010 included an increase of $20,000 relating to expenses paid by the officers on behalf of the Corporation and a decrease of $25,000 relating to common shares issued under the employee share purchase plan (note 8(d)). Included in interest expense is $12,195 (2010 - $11,734) charged by the officers of the Corporation in respect of these advances, of which $5,371 (2010 - $nil) is included in accounts payable and accrued liabilities.

b) The final repayment terms of the loans payable of $104,500 outstanding at September 30, 2010 relating to a previous corporate acquisition were settled in fiscal 2011. As of September 30, 2011, $67,354 was still outstanding, all of which has been classified as a current liability. The outstanding balances are secured by a general security agreement and are being repaid in varying monthly instalments until July 2012. $33,209 bears interest at prime plus 1.5% per annum and $34,145 is non-interest bearing.

8. 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, 2009	35,061,981	**3,756,518**
Private placement	600,000	**30,000**
Employee share purchase plan	7,888,528	**300,537**
Balance, September 30, 2010	43,550,509	**4,087,055**
Private placement	100,000	**5,000**
Exchange of limited partnership units (note 3)	2,600,000	**130,000**
Employee share purchase plan	1,030,201	**41,584**
Balance, September 30, 2011	47,280,710	**4,263,639**

c) *Private placements*

The 2010 private placement consisted of the issuance of 600,000 common shares from treasury at $0.05 per share to a director of the Corporation, the proceeds of which were used to pay for an external consultant to assist the Corporation with select financial market initiatives and programs. The fees paid were recorded as general and administrative expenses in fiscal 2010. The shares issued were recorded at the exchange amount agreed to by the parties to the transaction. The 2011 private placement consisted of the issuance of 100,000 shares from treasury at $0.05 per share to a securities dealer as part payment for arranging to update the Corporation's listing and acting as its official sponsor under new regulations on the Frankfurt Stock Exchange. The last closing price on CNSX prior to this issuance was $0.05 per share. The fees paid were recorded as general and administrative expense in fiscal 2011.

d) *Employee share purchase plan*

In February 2008, the Corporation implemented a share purchase plan, under which participants make contributions to purchase common shares on the open market or from treasury (subject to the number of shares being calculated and issued based on a minimum of $0.05 per share) through a designated trust facility, subject to a maximum of $20,000 per participant per plan year. These contributions are matched quarterly by the Corporation issuing shares from treasury at the market price at the date of issue (subject to the number of shares being calculated and issued based on a minimum of $0.05 per share). In fiscal 2010, loans payable of $25,000 (note 7) were paid through the issuance of 500,000 common shares under the plan. During the year ended September 30, 2011, the Corporation recorded $27,339 (2010 - $99,860) of stock-based compensation expense, comprised of $26,823 (2010 - $94,946) in issued shares and $516 (2010 - $4,914) in accrued liabilities for estimated contributions for September 2011.

e) *Stock option plan*

The Corporation is authorized to grant stock options to directors, officers and employees for up to 10% of the number of common shares outstanding. Options may be granted for periods up to 5 years at prices based upon the Corporation's trading price on the date of issue. An option was granted in July 2010 to a financial consultant under the plan, but it expired according to its terms prior to 2010 year end. No other stock options were granted, exercised or outstanding in 2011 or 2010.

9. CAPITAL DISCLOSURES

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 in order to maintain liquidity. The Corporation does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, 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 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 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 restrictions.

10. INCOME TAXES

The components of the future income tax asset amounts as at September 30, 2011 and 2010 are as follows:

	2011	2010
	$	$
Excess of tax basis over carrying value on long-term assets	**265,540**	210,493
Future benefit of current and prior years' losses	**939,428**	1,046,923
Investment tax credits	**91,000**	91,000
	1,295,968	1,348,416
Valuation allowance	**(1,295,968)**	(1,348,416)
	-	-

Management has assessed the future tax assets using the criteria of whether it is more likely than not that the future tax assets can be realized. Based on the uncertainty of future taxable income, management has recorded a valuation allowance of the full amount of the future tax asset as at September 30, 2011 and 2010.

As at September 30, 2011, the Corporation had investment tax credits of approximately $91,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $3.7 million available to be carried forward to reduce future taxable income. The benefit of these credits and losses has not been recognized in the consolidated financial statements. These credits and losses expire as follows:

	Non-capital losses	**Investment tax credits**
	$	**$**
2014	88,000	67,000
2015	396,000	24,000
2026	359,000	-
2027	267,000	-
2028	751,000	-
2029	698,000	-
2030	1,119,000	-

In addition, the Corporation has approximately $439,000 of deductible research and development expenditures with no expiry, and other net temporary deductible differences of approximately $600,000 which expire at various dates.

Income tax 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 recovery:

	2011	**2010**
	$	**$**
Loss before income taxes	**(229,860)**	(423,868)
Expected income taxes – statutory rate of 28.5% (2010 - 29.2%)	**(65,510)**	(123,769)
Effect of tax rate changes	**50,721**	9,975
Unrealized (gain) loss on marketable securities	**688**	(2,646)
Non-deductible portion of GLP operating losses (note 3)	**37,050**	-
Expiry of non-capital losses	**-**	26,197
Adjustments to tax pools and other	**29,499**	2,218
Provision for future income taxes before valuation allowance	**52,448**	(88,025)
Change in valuation allowance	**(52,448)**	88,025
	-	-

11. COMMITMENTS AND CONTINGENCIES

The Corporation is committed to the following minimum annual payments over the next 5 years for vehicle and office leases, which expire at various dates through January 2022:

	$
2012	190,951
2013	228,648
2014	224,556
2015	224,556
2016	201,080
Subsequent years	1,016,487
	2,086,278

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The Corporation's financial instruments are comprised of cash and cash equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities, demand credit facilities, and loans payable. The carrying values of the Corporation's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and short-term loans payable approximate their respective fair values due to their short term maturity. As the Corporation's demand credit facilities and long-term loans payable bear interest at floating market rates, the respective carrying values approximate fair value. The Corporation's marketable securities are adjusted to market value on a quarterly basis.

Financial instruments recorded at fair value on the balance sheet 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:

> Leve1 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 marketable securities.

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. Default rates on unsecured credit have traditionally been below 1% of annual sales. The Corporation's customer accounts are past due as follows: 30-60 days – $60,000 (2010 - $63,000); 61-90 days – $92,000 (2010 - $42,000); 91 days or older – $60,000 (2010 - $115,000). The Corporation has reviewed the past due accounts on a customer by customer basis and has provided an allowance for doubtful accounts of $26,480 (2010 - $19,868), all relating to past due accounts 90 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. 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 on deposit. As cash is held in a reputable financial institution, concentration of credit risk is considered minimal.

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 demand credit facilities and loans payable. An increase or decrease in the interest rate of 1% would result in approximately a $4,700 (2010 - $5,700) adjustment to the net loss reported based upon the outstanding balances as of September 30, 2011.

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 2011, 1% (2010 – 1%) of total revenue was in US dollars. At September 30, 2011, approximately $8,200 (2010 - $10,700), $19,000 (2010 - $19,000) and $59,000 (2010 - $72,000) of the Corporation's cash, accounts receivable and accounts payable and accrued liabilities were in US dollars, respectively. An increase in the value of the Canadian dollar relative to the US dollar will decrease the equivalent Canadian amounts received, while an increase in the value of the Canadian dollar will decrease the amounts received. Exchange rate fluctuations have increased in volatility under current economic conditions, and this risk cannot be accurately quantified. A 1% change in the Canadian-US exchange rate on the net assets held in US$ would increase/decrease the reported loss by approximately $320 (2010 - $620). The Corporation has no contracts in place to mitigate this exposure.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they become due. This risk increases as revenue increases due to the need for additional working capital. The Corporation is at risk of needing to reduce operations to maintain sufficient working capital. The Corporation's financial liabilities, comprised of amounts drawn on the demand credit facilities of $68,457 (2010 - $192,438), and accounts payable and accrued liabilities of $713,346 (2010 - $647,448), are due and payable within less than one year. Of the total loans payable of $397,354 (2010 - $424,500), $330,000 (2010 - $356,500) is due in more than one year, and $67,354 (2010 - $68,000) is current. The Corporation had a working capital deficiency of $172,156 as of September 30, 2011 (2010 - $289,619). Deferred revenue of $200,425 (2010 - $159,433) and certain payables in the amount of $516 (2010 - $4,914) to be paid through the issuance of common shares, are non-cash items, which do not affect cash working capital used to maintain operations. The Corporation is seeking 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.

13. SUPPLEMENTARY CASH FLOW INFORMATION

	2011	2010
	$	$
Changes in non-cash working capital:		
Accounts receivable	**6,318**	(111,214)
Prepaid expenses	**(25,022)**	1,295
Inventory	**(43,831)**	3,711
Accounts payable and accrued liabilities	**65,898**	39,299
Deferred revenue	**40,992**	32,148
	44,355	(34,761)
Cash interest paid	**43,068**	44,629

Non-cash transactions:

(1) Refer to note 8(c) and (d) for non-cash issuance of common shares relating to the employee share purchase plan and private placements in 2010.

(2) Refer to note 7(a) for increase in loans payable relating to expenses paid on behalf of the Corporation in fiscal 2010

14. SUBSEQUENT EVENTS

Effective October 1, 2011, Peartree Software Inc., was absorbed into Glenbriar by vertical short form amalgamation.

The Corporation issued 105,800 common shares from treasury on December 2, 2011 under the Corporation's employee share purchase plan (note 8(d)). The last closing price on the CNSX prior to issuance was $0.01 per share.