Glenbriar Technologies Inc.

integrated technology solutions

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 for more details.

Registrar and Transfer Agent

Glenbriar changed its registrar and transfer agent from Valiant Trust Company, a wholly owned subsidiary of Canadian Western Bank, to Reliable Stock Transfer Inc. in June 2015. Valiant sold its transfer agent business to Computershare effective May 1, 2015. Reliable's focus on small cap issuers allows them to be more responsive and flexible.

Human Resources

Glenbriar terminated its acting CFO, Sherri Saunders, in July 2015 due to conditions beyond her control. In early September 2015, Eric Thomson, CPA, CA, was appointed as Acting CFO on a part-time contract basis. After 2 months, that relationship was terminated and Bev Leighton was appointed as acting CFO effective October 30, 2015. These events exacerbated the complexity of the update of the new back office, including transition to new financial reporting software, and to some extent may have contributed to the decline in fourth quarter results.

New Back Office

Glenbriar upgraded its back office applications and infrastructure in fiscal 2015 and 2016. This new infrastructure replaces a number of proprietary systems that Glenbriar developed over the years with state of the art industry standard applications.

Glenbriar completed the initial upgrade of its back office applications and infrastructure in June 2015 to improve efficiencies and allow easier interoperability between branches, clients and service delivery. This new infrastructure replaces a number of proprietary systems that Glenbriar developed over the years with state of the art industry standard applications. All offices were live on the new back office infrastructure as of June 1, 2015, with the legacy systems turned off on June 30, 2015. The first full billing cycle for all branches on the new system was completed in July 2015. This upgrade substantially automates Glenbriar's business workflow, and will have a positive effect on all aspects of operations going forward in fiscal 2016.

Products & Services

Cloud Services

Glenbriar is transferring its internal infrastructure, hosted clients and new Cloud hosted clients to its new Cloud infrastructure. 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.

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 being made up in new hosting clients and in the other locations.

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 2015. 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.

Cyber-security

Glenbriar continues to upgrade cyber-security methodologies and products, such as its licence with a world-class cyber security firm headquartered in the United Kingdom. The licence allows Glenbriar to market and distribute their products across Canada, either on a stand-alone basis, or incorporated within Glenbriar's existing products and services.

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 multivalue application database consulting and production line control products for manufacturers.

Financial Review

Selected Financial Information

Selected Annual Financial Information ($)	Year ended September 30		
	2015	2014	2013
Revenue	4,184,230	5,953,532	6,006,154
Gross profit	1,355,443	1,573,688	1,346,362
Net income (loss) before tax	(191,629)	271,122	(145,050)
Net income (loss)	(191,629)	271,122	(145,050)
-per share (basic and diluted)	(0.00)	0.01	0.00
Total assets	1,076,965	911,211	740,796
Long term liabilities (excl. deferred rent)	478,757	345,000	395,000
Dividends	-	-	-

Revenue decreased 30% in 2015, made up of a 25% decrease in services revenue and a 40% decrease in equipment sales. Most of the decrease reflects the downturn in the Alberta economy due to declining oil prices, which has resulted in some clients going out of business, deferral of project work, and reduced services due to declining staff counts. Glenbriar has been actively diversifying its client base outside of the energy sector in its Calgary office during 2015. 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. This results in lower equipment sales to clients and more equipment being purchased directly by Glenbriar. Further effects of this change will be reflected in the second and third quarter of fiscal 2016 as more clients are moved into the new service model. Gross margin rose to 32% from 26% in 2014 and 22% in 2013, representing better tracking and diversion of technical resources to data centre and office operating systems projects in 2015, and the effect of moving to a Cloud-centric services delivery model, which increases fixed costs in relation to variable costs. Net loss was $191,629 in 2015, down from income of $271,122 in 2014, and a loss of $145,050 in 2013. The 2014 net income includes a $107,000 gain on sale of Peartree Dealership.

Selected Quarterly Financial Information ($)	Quarter ended							
	2015			2014				2013
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Revenue	951,143	1,001,574	1,214,292	1,017,221	1,392,609	1,460,363	1,756,829	1,343,731
Income (loss) from operations	(28,149)	(70,039)	47,858	(32,032)	(122,013)	77,829	125,160	238,493
-per share (basic and diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01
Net income (loss)	(104,244)	(83,729)	34,272	(37,928)	(145,564)	67,522	117,082	232,082
-per share (basic and diluted)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01

Overall revenue decreased 32% for the quarter ended September 30, 2015 from the prior year period, made up of a 9% drop in services and a 75% decrease in equipment and software sales. These differences reflect the factors relating to the Alberta economy and movement to the Cloud discussed above.

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

Liquidity and Capital Resources

As of September 30, 2015, Glenbriar had working capital deficiency of $584,481 ($471,718 excluding deferred items, which does not require a direct cash outlay), a decline from working capital of $58,627 ($126,048 excluding deferred items) at September 30, 2014. This decrease reflects declining revenue and related payables discussed above, as well as 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 $192,362 as of September 30, 2015 (2014 - $nil), finance leases of $118,473 as of September 30, 2015 (2014 - $nil), and finance loans of $87,468 as of September 30, 2015 ($2014 - $nil). 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 $45,809 increase in deferred revenue reflects deposits received for equipment purchases which had not arrived at their destination by year end, with the balance 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 7 years.

Glenbriar entered into a revolving demand credit facility in March 2015. This facility allows for borrowing of up to 75% of accounts receivable under 91 days (less potential prior payables) to a maximum of $500,000, calculated monthly, and bears interest at prime plus 2.25% per annum. A second facility allows for borrowing up to $100,000 on a VISA business account. The total borrowings are secured by a general security agreement over Glenbriar's current and after acquired assets, and postponement of loans payable. The outstanding balance on September 30, 2015 under both facilities was $192,362. The bank indebtedness requires the Corporation to maintain a ratio of liabilities to tangible net worth of not greater than 4:1. At September 30th, 2015 the Corporation was in default of the covenant. The lender has not called the loan as of January 26, 2016. The Corporation is actively engaged with the lender in developing strategies to bring the Corporation into compliance over time.

Loans payable at September 30, 2015 in the amount of $345,000 (September 30, 2014 - $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 6). The advances are repayable 12 months after the officers provide written request for payment. As at September 30, 2015, the officers had not requested payment, and consequently, the advances have been classified as non-current liabilities, and related accrued interest of $45,564 is included in accounts payable (2014 - $34,036).

Finance expense includes $17,078 of interest on the advances in fiscal 2015 (2014 - $16,786), which corresponds to an average interest rate of 5% for 2015 (2014 – 4%).

Glenbriar entered into new finance leases in fiscal year 2015 to facilitate its new cloud infrastructure. Finance leases consisted of four 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 March 2018.

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 2 years left on its lease for the Waterloo office, 7 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, 2015:

	$
2016	235,714
2017	228,586
2018	199,711
2019	197,086
2020	197,086
Subsequent years	262,781
Total	1,320,964

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

Financial liabilities	2016	2017	2018	2019	Total
Bank indebtedness	192,362	-	-	-	192,362
Accounts payable	626,507	-	-	-	626,507
Loans payable	-	345,000	-	-	345,000
Finance leases	47,714	54,207	17,552	-	118,473
Finance loans	25,470	26,484	26,484	9,030	87,468
	891,053	425,691	44,036	9,030	1,369,830

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 $584,841 as of September 30, 2015 (2014 - $(58,627)) and a net loss during fiscal 2015 of $191,629 (2014 – net income of $271,122). 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 loss was $191,629 for fiscal 2015, a decline from income of $271,122 for fiscal 2014, made up of a 25% decline in services and 40% decline in equipment sales. 2014 income included a $107,000 gain on sale of the Peartree Dealership product.

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 decreased 30% in fiscal 2015 over 2014, made up of a 25% decline in services and a 40% decline in equipment and third party software sales.

Expense. Margins on managed services increased to 37% in fiscal 2015 from 25% in fiscal 2014. Margins on equipment and third party software sales declined to 21% from 28% 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. Since the detailed breakdowns of revenue and expenses were not available in fiscal 2014, the relative margins for the two fiscal periods could not be applied on a fully consistent basis, but will be consistent in future periods. General and administrative expense rose to 28% of sales in fiscal 2015 from 16% in fiscal 2014, and sales and marketing expenses declined to 5% of sales in 2015 from 6% in 2014, 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, 2015 reflects 30 days of sales, which is down from 36 days of sales for year-end 2014.

Accounts payable and accrued liabilities. The total balance declined to $626,507 at September 30, 2015 from $708,758 at the end of fiscal 2014.

Deferred revenue. This balance increased to $107,152 as of September 30, 2015 from $61,343 at the end of fiscal 2014 due to deposits received for hardware sales which had not been delivered at year end. The remaining 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). 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. In November 2015, Glenbriar settled the claims with 2 of the 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, 2015.

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 15 and management estimates that these items have been fairly valued.

Related Party Transactions

Management loan advances were $345,000 as of September 30, 2015, the same as the prior year end. During the year ended September 30, 2015, Glenbriar recorded $17,078 of interest in relation to loans payable. Related accrued interest of $45,564 is included in accounts payable and accrued liabilities. See note 7 of Notes to the Financial Statements.

Additional Information

Additional information about Glenbriar is available from Glenbriar's website at www.glenbriar.com, the CSE website at thecse.com, the Sedar website at 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).