Glenbriar Technologies Inc.

integrated technology solutions

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 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 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.

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		
	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% decrease 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	1,138,892

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
	891,661	405,411	16,460	1,313,532

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). 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, 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).