Glenbriar Technologies Inc.

integrated technology solutions

# 2017 Q1 Report

**For the 3 months ended December 31, 2016**

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## *To Our Shareholders*

**2017 Annual Meeting**

Glenbriar's 2017 Annual Meeting will be held on April 6, 2017 at Glenbriar's offices in Calgary. Materials were be mailed out on February 23, 2017.

**Rights Offering**

On February 17, 2017, Glenbriar announced a rights offering to shareholders of record as of February 21, 2017. A Rights Offering Notice was included with the meeting materials for the annual meeting. **If you have not received your Rights Offering Notice, please e-mail proxy@glenbriar.com or call me at (403) 450-7410.** You have been allocated 1 right for each share held, with 2 rights entitling you to purchase 1 Common Share for $0.02 per share, with an additional subscription privilege to acquire additional shares at the same price. The rights are transferable and expire on May 20, 2017.

The Rights Offering Notice and Circular are based on NI 45-106F14 and F15, which require that when an issuer has a working capital deficiency, it must state in bold type at the top of the document how many months it will last with its current working capital, and how much of the issue is required to be subscribed for the issuer to last for 12 months. This calculation is relevant to a startup with no revenue and a specified monthly burn rate, but it is quite inappropriate for Glenbriar. Glenbriar has had a working capital deficiency in each of the last 2 fiscal years, and the size of the deficiency decreased in fiscal 2016, and again this quarter. Our ability to stay in business is determined by our revenue and expenses, not by the amount of working capital. However, as we are restricted in our ability to include future financial projections, it is an academic exercise to specify a time period in our situation as required by the regulation. Weighing these factors, management erred on the side of caution and used conservative figures of 6 months at the current level of working capital, and 12 months if 33% of the offering is subscribed.

The board of directors chose to do the rights offering for a number of reasons:

1. Despite generating more than $300k in EBITDA from February through September 2016, the market turned down in October, with additional clients going out of business in Alberta. This resulted in a loss in the first quarter of 2017. Initial indications are that things have picked back up, with the expectation for a profit in

the second quarter. A successful rights offering would go a long way in making this a sustained recovery.

2. Rights offering are inherently fair from a corporate governance perspective, as each shareholder is given an equal opportunity to maintain his or her ownership interest and to participate in increasing that ownership. This prevents dilution of existing shareholders.

3. Glenbriar has not gone to the market for financing in well over a decade. The equipment portion of new investments in back office infrastructure and Cloud data centre was financed using $292k from a revolving bank line and $301k in equipment leases, repayments of which have placed additional burdens on operating cash flow. The services portion of these investments of over $200k was paid from operating cash flow.

4. The bank line has now been substantially paid down from $292k in April 2016 to $74k today, and is scheduled to be completely paid out in May 2017. Equipment leases have been reduced from $301k to $144k currently. While a portion of this has been paid down from cash flow, employees who are not directors have also advanced significant amounts to assist with meeting the repayment schedules. These advances directly benefitted the shareholders, and now have to be repaid.

5. Reducing the working capital deficiency frees up operating cash flow to be used for sales and marketing to create organic growth.

6. In December 2015, the Canadian Securities Administrators substantially simplified the steps required to conduct a rights offering, making this the quickest and least expensive path to market.

7. CSE rules require that private placements be done at no less than $0.05 per share, which was out of market range. In addition, a private placement does not allow equal participation by all shareholders.

8. The directors have indicated their intention to maintain their current ownership levels in order to leave room for participation in the additional subscription privilege by other shareholders.

9. If successful, this rights offering will allow Glenbriar to move forward with non-organic growth opportunities, such as acquisitions, and finally leverage its position as a public company for the benefit of all shareholders.

**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*

**NOTICE TO READER**
*The unaudited interim financial statements and related management discussion and analysis were prepared by management and approved by the board of directors. They have not been reviewed by Glenbriar's external auditors.*

# MANAGEMENT DISCUSSION AND ANALYSIS

This information is given as of February 27, 2017 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. 48,421,510 rights are outstanding to acquire up to 24,210,755 common shares on or before May 20, 2017. See "Rights Offering" below.

## Description of Business

**Glenbriar Technologies Inc.** (CSE: GTI) is a leading provider of 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 and Software Services.

The 2016 Annual Report was released on January 27, 2017. Glenbriar's 2017 Annual Meeting will be held in Calgary on April 6, 2017. Materials were be mailed on February 23, 2017 to holders of record as of February 21, 2017.

### Rights Offering

On February 17, 2017, Glenbriar announced a rights offering to shareholders of record as of February 21, 2017. Glenbriar issued 1 right for each share held. 2 rights entitles the holder to purchase 1 Common Share for $0.02 per share, with an additional subscription privilege to obtain additional Common Shares at the same price per share. These additional shares represent shares not taken up by other rights holders under the basic subscription privilege, and will be allocated on a pro rata basis if the total issue is oversubscribed. No rights certificates are being issued, and the rights will not be listed or posted for trading. The rights are freely transferable. The shares issued upon exercise of the rights will trade on the Canadian Securities Exchange. The rights expire on May 20, 2017.

**A Rights Offering Notice was mailed to each shareholder on February 23, 2017. If you did not receive your rights, please send an e-mail to proxy@glenbriar.com or contact Robert Matheson of Glenbriar at (403) 450-7410.** Additional details are available in the Rights Offering Circular filed on Glenbriar's profile on Sedar at sedar.com, on the CSE website at thecse.com, and on Glenbriar's website at glenbriar.com.

## Products & Services

### 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.

**Cloud Services**

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

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

Glenbriar is in the process of realigning its services for small business customers to allow them to transition to a more Cloud-centric model. This is expected to allow the adoption of a broader range of clients and services for those customers. The downturn in the business cycle in Alberta has led to the bankruptcy or shutdown of a limited number of Glenbriar's customers in that province. These losses are somewhat offset by new hosting clients.

**Portals & Collaboration**

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

**Unified Communications**

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

**Managed Services**

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

**Software Services**

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

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

## Financial Review

### Selected Financial Information

| Selected Quarterly Financial Information ($) | Quarter ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | 2015 | | | |
| | Dec 31 | Sep 30 | Jun 30 | Mar 31 | Dec 31 | Sep 30 | Jun 30 | Mar 31 |
| Revenue | 790,846 | 1,113,124 | 1,211,482 | 1,288,708 | 1,082,238 | 951,143 | 1,001,574 | 1,214,292 |
| EBITDA | (96,261) | 91,884 | 103,138 | 114,916 | (45,435) | (847) | (65,039) | 52,587 |
| Income (loss) from operations | (133,450) | 52,173 | 66,035 | 83,744 | (64,326) | (28,149) | (70,039) | 47,858 |
| -per share (basic and diluted) | (0.00) | 0.00 | 0.00 | 0.00 | (0.00) | (0.00) | (0.00) | 0.00 |
| Net income (loss) | (157,601) | 28,731 | 38,182 | 63,634 | (86,763) | (104,244) | (83,729) | 34,272 |
| -per share (basic and diluted) | (0.00) | 0.00 | 0.00 | 0.00 | (0.00) | (0.00) | (0.00) | 0.00 |

Revenue decreased 27% for the quarter ended December 31, 2016 from the prior year period, made up of a 7% decrease in services and a 59% decrease in equipment and software sales. These changes reflect some large projects that are underway with new clients, who are building new facilities that will be placed under managed services with Glenbriar and moved into Glenbriar's Cloud data centre in the third quarter of 2016. Project revenue was negatively impacted by continued reduced economic activity in Alberta. Net loss increased to $157,601 from $86,763 for the prior year period, due to timing differences of $50,000 in audit fees (2016 - $20,000) and legal fees relating to litigation of $23,810 (2016 - $nil), lower hardware sales due to a lack of big projects, bankruptcies of some Alberta clients, and higher foreign exchange expenses. It is expected that revenue and income will recover substantially in the second quarter of 2017.

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

### Liquidity and Capital Resources

As of December 31, 2016, Glenbriar had a working capital deficiency of $449,728, a decrease from $542,969 at September 30, 2016. This reduction reflects a $241,800 increase in loans payable during the quarter, which is classified as non-current obligation. This increase was provided to assist with the transition away from the bank line and to provide additional liquidity over the coming year. Deferred revenue rose to $149,443 due to an increase in deposits for hardware purchases. Deferred rent reflects rent-free allowances on the Calgary office lease. This amount is amortized over the term of the lease. Both deferred revenue and deferred rent are noncash items that do not impact liquidity over the short term.

The financial statements have been prepared on the basis that the Corporation will continue as a going concern. In order to continue as a going concern, the Corporation will need to generate positive cash flows from operations or obtain additional debt or equity financing. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2016 is uncertain. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

Glenbriar extended the terms of its forbearance agreement with the bank in December 2016, with payments continuing at the rate of $20,000 per month until April 20, 2017, with the balance due in May 2017. The bank holds the first secured charge over existing and after acquired property. The outstanding balance on December 31, 2016 was $112,968, which is a reduction from $292,000 in April 2016.

Loans payable at December 31, 2016 in the amount of $586,800 (September 30, 2016 - $345,000) consist of net advances from directors and an employee 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 December 31, 2016, the holders had not requested payment, and consequently, the advances have been classified as non-current liabilities.

Finance leases of $91,145 as of December 31, 2016 (original balance - $202,370) were incurred to facilitate the new Cloud infrastructure. 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 2018.

The financing loans of $54,197 as of December 31, 2016 (original balance - $99,388) 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 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 pursue its capital investment at an optimal rate, to establish and implement a robust marketing and sales programs, 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.

Glenbriar’s long-term financial commitments for office leases were as follows as of December 31, 2016:

| | $ |
|---|---|
| 2017 | 198,515 |
| 2018 | 217,253 |
| 2019 | 197,086 |
| 2020 | 197,086 |
| 2021 | 197,086 |
| 2022 | 65,695 |
| Total | 1,072,721 |

**Results from Operations**

Net loss increased to $157,601 from $86,783 for the first quarter of fiscal 2016 from the similar 2015 period, while revenue decreased 27% over the same periods.

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 and software revenue includes all revenue from the sale of those items, and cost of goods sold is made up of the cost of equipment and software sales. Both accounts include shipping and an allocation of salaries for procurement staff. Margins on equipment and software sales are based on a comparison of equipment and software revenue to cost of goods sold.

**Revenue**. Revenue decreased 27% for the quarter ended December 31, 2016 from the prior year period, made up of an 7% decrease in services and a 59% decrease in equipment and software sales. These changes reflect the continued reduced economic activity in Alberta, which reduces the number of projects and resulted in the loss of some clients due to bankruptcies.

**Expense.** Margins on managed services remained steady at 37% in the first quarter of fiscal 2017 from the prior year period. Margins on equipment and third party software sales increased to 16% from 11% over the same periods. General and administrative operating expense fell by 14% in the first quarter of 2017 from the similar 2016 period. Professional fees rose to $73,810 in the first quarter of 2017 from the prior year period due to one-time increases related to legal fees and timing of audit fees. Sales and marketing expenses remained steady at 4% of sales in the same periods of 2017 over 2016.

**Accounts receivable.** The balance for December 31, 2016 reflects 41 days of sales, which is down from 28 days of sales for the year end fiscal 2016, and from the prior year period of 24 days.

**Accounts payable and accrued liabilities**. This account increased to $736,787 at December 31, 2016 from $631,395 at the end of fiscal 2016, but decreased from $744,061 from the prior year period.

**Deferred revenue**. The balance of $149,434 as of December 31, 2016, is up substantially from $100,560 at year end 2016 because of hardware deposits. This is a noncash item.

**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. 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 in 2014 and 2015. As of December 31, 2016, Glenbriar had settled the claim with eight individual defendants. In February 2017, Glenbriar settled with the last individual defendant, leaving only one corporate defendant.

**Critical Accounting Estimates**

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 revenue and expense during the reporting periods presented. Significant estimates include the assessment of recoverability of carrying values of Glenbriar's accounts receivable, software and other capital assets. Actual results will differ from the estimates.

**Related Party Transactions**

Management loan advances of $586,800 as of December 31, 2016 are up from $345,000 as at September 30, 2016. See "Liquidity and Capital Resources" above.

**Additional Information**

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

**NOTICE TO READER**

*The unaudited interim financial statements and related management discussion and analysis were prepared by management and approved by the board of directors. They have not been reviewed by Glenbriar's external auditors.*

## 2017 Q1 FINANCIAL STATEMENTS

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

| | *(unaudited)* | *(audited)* |
|---|---|---|
| | **December 31 2016 $** | September 30 2016 $ |
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents (note 11) | **239,205** | 59,859 |
| Accounts receivable | **357,431** | 362,124 |
| Prepaid expenses | **53,923** | 33,240 |
| Total current assets | **650,559** | 455,223 |
| **Non-current** | | |
| Property and equipment (note 4) | **559,496** | 596,685 |
| Total assets | **1,210,055** | 1,051,908 |
| **LIABILITIES** | | |
| **Current** | | |
| Bank indebtedness (note 5) | **112,969** | 165,221 |
| Accounts payable and accrued liabilities | **736,787** | 631,395 |
| Finance leases – current portion (note 7) | **68,540** | 69,080 |
| Finance loans – current portion (note 8) | **26,586** | 25,965 |
| Deferred revenue | **149,434** | 100,560 |
| Deferred rent – current portion | **5,971** | 5,971 |
| Total current liabilities | **1,100,287** | 998,192 |
| **Non-current** | | |
| Loans payable (note 6) | **586,800** | 345,000 |
| Finance leases (note 7) | **22,604** | 42,252 |
| Finance loans (note 8) | **27,612** | 34,619 |
| Deferred rent | **26,868** | 28,361 |
| Total liabilities | **1,764,171** | 1,448,424 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (note 9) | **4,279,555** | 4,279,555 |
| Deficit | **(4,833,671)** | (4,676,071) |
| Total shareholders' equity | **(554,116)** | (396,516) |
| Total liabilities and shareholders' equity | **1,210,055** | 1,051,908 |

The accompanying notes are an integral part of these financial statements

**GLENBRIAR TECHNOLOGIES INC.**
**Interim Statements of Income and Comprehensive Income**
**(Expressed in Canadian Dollars)** *(unaudited)*

| | 3 months ended Dec 31 | |
|---|---|---|
| | **2016** | 2015 |
| | **$** | $ |
| **Revenue** | | |
| Managed information services | **620,832** | 666,890 |
| Equipment and software sales | **168,087** | 414,621 |
| Other income | **1,927** | 726 |
| **Gross revenue** | **790,846** | 1,082,237 |
| Cost of revenue | **390,082** | 416,845 |
| Cost of goods sold | **141,898** | 370,616 |
| **Gross profit** | **258,866** | 294,776 |
| **Other (income) expenses** | | |
| General and administrative | **239,332** | 277,429 |
| Sales and marketing | **33,471** | 43,477 |
| Professional fees | **73,810** | 20,000 |
| Foreign exchange loss | **4,514** | (695) |
| **EBITDA** (Earnings before interest, taxes and depreciation) | **(96,261)** | (45,435) |
| Depreciation of property and equipment (note 4) | **37,189** | 18,891 |
| **Loss from operations** | **(133,450)** | (64,326) |
| Finance expense | **24,151** | 22,437 |
| **Net loss and comprehensive loss** | **(157,601)** | (86,763) |
| **Net income per share** | | |
| Basic and diluted (note 9(b)) | **(0.00)** | (0.00) |

The accompanying notes are an integral part of these financial statements

**GLENBRIAR TECHNOLOGIES INC.**
**Interim Statements of Changes in Equity**
**(Expressed in Canadian Dollars)** *(unaudited)*

| | 3 months ended Dec 31 | |
|---|---|---|
| | **2016** | 2015 |
| | **$** | $ |
| **Common Shares** | | |
| **Balance, beginning and end of period** | **4,279,555** | 4,279,555 |
| **Deficit** | | |
| Balance, beginning of period | **(4,676,070)** | (4,719,855) |
| Net income (loss) for the period | **(157,601)** | (86,763) |
| **Balance, end of period** | **(4,833,671)** | (4,806,618) |

**Interim Statements of Cash Flows**
**(Expressed in Canadian Dollars)** *(unaudited)*

| | 3 months ended Dec 31 | |
|---|---|---|
| | **2016** | 2015 |
| **Cash flows related to the following activities** | **$** | $ |
| **Operating** | | |
| Net income | **(157,601)** | (86,763) |
| Adjustments for: | | |
| Depreciation of property and equipment (note 4) | **37,189** | 18,891 |
| Deferred rent | **(1,493)** | (1,493) |
| | **(121,905)** | (69,365) |
| Changes in non-cash working capital (note 11) | **138,276** | 76,858 |
| Net cash provided by operating activities | **16,371** | 7,493 |
| **Financing** | | |
| Repayments of bank indebtedness | **(52,252)** | (1,674) |
| Repayments of finance leases | **(20,188)** | (13,956) |
| Repayments of finance loans | **(6,387)** | (5,634) |
| Loans payable advances | **241,800** | - |
| Net cash provided by (used in) financing activities | **162,974** | (21,264) |
| **Investing** | | |
| Capital expenditures | **-** | (16,800) |
| Net cash provided by (used in) investing activities | **-** | (16,800) |
| Increase (decrease) in cash | **179,346** | (30,571) |
| Cash and cash equivalents, beginning of period | **59,859** | 49,139 |
| **Cash and cash equivalents, end of period** | **239,205** | 18,568 |

Supplementary cash flow information (note 11)

The accompanying notes are an integral part of these financial statements

## Notes to Interim Financial Statements

### 1. BASIS OF PRESENTATION

These interim financial statements for Glenbriar Technologies Inc. ("Corporation") have been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2016 Annual Report.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of interim financial statements in compliance with IAS 34 requires the use of certain critical accounting estimates. It also requires the Corporation's management to exercise judgment in applying the Corporation's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 3. The Corporation applies the same accounting policies and methods of computation in its interim financial statements as in its 2016 annual financial statements.

These financial statements have been prepared on the basis that the Corporation will continue as a going concern. As at December 31, 2016, the Corporation has negative working capital of $449,728 and has a deficit of $4,833,671. The Corporation incurred a net loss during the period ended December 31, 2016 of $86,763. In addition, the Corporation was in default of a covenant on its credit facility (note 5). In order to continue as a going concern, the Corporation will need to generate positive cash flows from operations or obtain additional debt or equity financing. Whether and when the Corporation can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due subsequent to December 31, 2016 is uncertain. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

### 3. USE OF ESTIMATES AND JUDGMENTS

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in these interim financial statements.

### 4. PROPERTY AND EQUIPMENT

| | Computer Hardware $ | Office Operating Systems $ | Data Centre Equipment $ | Office Equipment $ | Total $ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| September 30, 2016 | 606,494 | 294,167 | 389,166 | 111,443 | 1,401,270 |
| Additions | - | - | - | - | - |
| **December 31, 2016** | **606,494** | **294,167** | **389,166** | **111,443** | **1,401,270** |
| **Accumulated depreciation** | | | | | |
| September 30, 2016 | 571,566 | 78,443 | 51,196 | 103,380 | 804,585 |
| Additions | 2,918 | 14,710 | 19,458 | 406 | 37,189 |
| **December 31, 2016** | **574,184** | **93,153** | **70,654** | **103,786** | **841,774** |
| **Net book value** | | | | | |
| September 30, 2016 | 34,928 | 215,724 | 337,970 | 8,063 | 596,685 |
| **December 31, 2016** | **32,310** | **201,014** | **318,512** | **7,659** | **559,496** |

**5. BANK INDEBTEDNESS**

The Corporation is repaying the Royal Bank of Canada under an agreement that provides for monthly payments of $20,000 until April 2017, with the remaining balance due in May 2017. The balance outstanding as of December 31, 2016 was $112,969.

**6. LOANS PAYABLE**

Loans payable at December 31, 2016 in the amount of $586,800 (September 30, 2016 - $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 December 31, 2016, the officers had not requested payment, and consequently, the advances were classified as non-current liabilities.

**7. FINANCE LEASES**

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.

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

| | Principal | Imputed interest | Minimum lease payments |
|---|---|---|---|
| 2017 | $ 48,890 | $ 8,949 | $ 57,839 |
| 2018 | 34,446 | 3,110 | 37,556 |
| 2019 | 7,806 | 666 | 8,472 |
| | $ 91,142 | $ 12,725 | $ 103,867 |

**8. FINANCE LOANS**

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. The payments on the financing loans are as follows:

| | |
|---|---|
| 2017 | $18,683 |
| 2018 | 26,484 |
| 2019 | 9,030 |
| | $54,197 |

**9. SHARE CAPITAL**

a) *Common shares issued and outstanding*

| | Number of shares | **Amount $** |
|---|---|---|
| Balance, December 31 and September 30, 2016 | 48,421,510 | **4,279,555** |

b) *Weighted average shares outstanding*

| | **As at December 31** | |
|---|---|---|
| | **2016** | 2015 |
| Basic and diluted | **48,421,510** | 48,421,510 |

**10. RELATED PARTY TRANSACTIONS**

General and administrative expense includes remuneration of the key management personnel, which includes directors and officers of the Corporation.

**11. SUPPLEMENTARY CASH FLOW INFORMATION**

Cash and cash equivalents at December 31 and September 30, 2016 were entirely comprised of cash on deposit.

| Changes in non-cash working capital: | **3 months ended Dec 31** | |
|---|---|---|
| | **2016** | 2015 |
| | **$** | $ |
| Accounts receivable | **4,694** | 58,297 |
| Prepaid expenses | **(20,683)** | 165 |
| Accounts payable and accrued liabilities | **105,392** | 18,777 |
| Deferred revenue | **48,874** | (381) |
| Total | **138,276** | 76,858 |
| Cash interest paid | **18,018** | 17,710 |

**12. SUBSEQUENT EVENT**

On February 17, 2017, Glenbriar announced a rights offering to shareholders of record as of February 21, 2017. Glenbriar issued 1 right for each share held. 2 rights entitles the holder to purchase 1 Common Share for $0.02 per share, with an additional subscription privilege to obtain additional Common Shares at the same price per share. These additional shares represent shares not taken up by other rights holders under the basic subscription privilege, and will be allocated on a pro rata basis if the total issue is oversubscribed. No rights certificates are being issued, and the rights will not be listed or posted for trading. The rights are freely transferable. The shares issued upon exercise of the rights will trade on the Canadian Securities Exchange. The rights expire on May 20, 2017. There are currently 48,421,510 rights outstanding to purchase up to 24,210,755 common shares at $0.02 per share on or before May 20, 2017.

## CSE SUPPLEMENTARY INFORMATION

| CSE ISSUER | TRADING SYMBOL | NUMBER OF OUTSTANDING SECURITIES | DATE |
|---|---|---|---|
| Glenbriar Technologies Inc. | GTI | 48,421,510 | February xx, 2017 |

### 1. Related party transactions

See "Related Party Transactions" in Management Discussion and Analysis and note 10 of Notes to Financial Statements.

### 2. Securities issued and options granted during the period

No shares were issued during the period. No options were issued, granted or expired during the period, and none are outstanding.

### 3. Securities as of end of period

| | Number of Shares | **Amount $** |
|---|---|---|
| Authorized | | |
| Unlimited number of common shares | | |
| Unlimited number of preferred shares of one or more series | | |
| Issued | | |
| Common shares | 48,421,510 | **4,279,555** |

On February 17, 2017, Glenbriar announced a rights offering to shareholders of record as of February 21, 2017. Glenbriar issued 1 right for each share held. 2 rights entitles the holder to purchase 1 Common Share for $0.02 per share, with an additional subscription privilege to obtain additional Common Shares at the same price per share. These additional shares represent shares not taken up by other rights holders under the basic subscription privilege, and will be allocated on a pro rata basis if the total issue is oversubscribed. No rights certificates are being issued, and the rights will not be listed or posted for trading. The rights are freely transferable. The shares issued upon exercise of the rights will trade on the Canadian Securities Exchange. The rights expire on May 20, 2017. There are currently 48,421,510 rights outstanding to purchase up to 24,210,755 common shares at $0.02 per share on or before May 20, 2017.

### 4. Officers and directors as of the date of this report

| Name | Position |
|---|---|
| Robert D. Matheson | Chairman, President & CEO |
| Shankha Bhattacharyya | Controller & Acting CFO |
| Glenn F. H. Matheson | Vice-President, Unified Communications & Director |
| Christine Padaric | Vice-President, Sales & Marketing |
| Warren Berg | Vice-President, Information Technology |
| Craig Henderson | Director |
| James H. Ross | Director |
| Brian Tijman | Director |

| ***ISSUER DETAILS*** NAME OF ISSUER<br>Glenbriar Technologies Inc. | FOR QUARTER ENDED<br>2016 12 31 | DATE OF REPORT<br>YY / MM / DD<br>17 02 27 |
|---|---|---|
| ISSUER ADDRESS<br>1100, 736 – 8 Ave SW | | |
| CITY/PROVINCE/POSTAL CODE<br>Calgary AB T2P 1H4 | ISSUER FAX NO.<br>(403) 234-7310 | ISSUER PHONE NO.<br>(403) 233-7300 x117 |
| CONTACT NAME<br>Robert D. Matheson | CONTACT POSITION<br>President | CONTACT PHONE NO.<br>(403) 450-7410 |
| CONTACT E-MAIL ADDRESS<br>inquiries@glenbriar.com | WEB SITE ADDRESS<br>glenbriar.com | |

***CERTIFICATE OF COMPLIANCE***

*The undersigned hereby certifies that:*

*1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.*

*2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.*

*3. The undersigned hereby certifies to CSE that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CSE Requirements (as defined in CSE Policy 1).*

*4. All of the information in this Form 5 Quarterly Listing Statement is true.*

| PRESIDENT'S SIGNATURE | PRINT FULL NAME | DATE OF REPORT<br>YY / MM / DD |
|---|---|---|
| "Robert Matheson" | Robert D. Matheson | 17 02 27 |