Consolidated Financial statements of

Greenbriar Capital Corp.

December 31, 2011

Greenbriar Capital Corp.

December 31, 2011

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Independent Auditor's Report

To the Shareholders of Greenbriar Capital Corp.:

We have audited the accompanying financial statements of Greenbriar Capital Corp., which comprise the statements of financial position as at December 31, 2011, December 31, 2010 and January 1, 2010 and statements of comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 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 International Financial Reporting Standards, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditor's 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 audit 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 Greenbriar Capital Corp. as at December 31, 2011, December 31, 2010 and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company is in the early stage of its existence and has no history of operations, earnings or revenues. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Deloitte & Touche LLP

Chartered Accountants
Vancouver, British Columbia
April 24, 2012

GREENBRIAR CAPITAL CORP.

Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars, except share amounts)

	Notes	Years Ended December 31, 2011	2010
		$	$
Expenses			
Accounting		**21,129**	-
Audit and tax		**20,369**	7,500
Bank charges		**934**	41
Foreign exchange		**125**	-
Legal		**7,081**	7,247
Office		**541**	35
Public company fees		**18,843**	15,237
Salaries		**10,550**	-
Stock based compensation	5c	**222,834**	-
Travel		**250**	-
		302,656	30,060
Net loss		**(302,656)**	(30,060)
Other Comprehensive loss			
Currency translation adjustment		**(19,939)**	-
Comprehensive loss		**(322,595)**	(30,060)
Basic and diluted loss per common share	5d	**(0.04)**	(0.00)
Weighted average number of common shares outstanding - basic and diluted		**7,364,138**	6,148,304

See accompanying notes to the consolidated financial statements.

GREENBRIAR CAPITAL CORP.

Consolidated Statements of Financial Position
As at December 31. 2011 and 2010
(Expressed in Canadian dollars)

	Notes	As at December 31, 2011	As at December 31, (note 2(b)) 2010	January 1 (note 2(b)) 2010
		$	$	$
Assets				
Current assets				
Cash		**924,987**	323,780	350,495
HST Receivable		**16,023**	290	2,218
		941,010	324,070	352,713
Property held for development and sale	3	**1,070,573**	-	-
		2,011,583	324,070	352,713
Liabilities				
Current liabilities				
Accounts payable		**7,630**	1,551	534
Accrued liabilities		**12,873**	7,500	7,350
		20,503	9,051	7,884
Shareholders' equity				
Share capital	5	**2,137,792**	390,614	390,213
Equity compensation reserve	5c	**240,921**	36,175	36,187
Warrants reserve	6	**59,981**	13,249	13,388
Accumulated other comprehensive loss		**(19,939)**	-	-
Accumulated Deficit		**(427,675)**	(125,019)	(94,959)
		1,991,080	315,019	344,829
		2,011,583	324,070	352,713

General Information (note 1)

Approved by the Directors

(signed) Jeffrey Ciachurski
Jeffrey Ciachurski, Director

(signed) John Wardlow
John Wardlow, Director

See accompanying notes to the consolidated financial statements.

GREENBRIAR CAPITAL CORP.

Consolidated Statements of Cash Flows
Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	Notes	Year Ended December 31, 2011	2010 (note 2(b))
		$	$
Operating activities			
Net loss		**(302,656)**	(30,060)
Item not involving cash			
Stock based compensation expense	5c	**222,834**	-
		(79,822)	(30,060)
Change in non-cash working capital			
HST Receivable		**(15,733)**	1,928
Accounts payable		**6,079**	1,017
Accrued liabilities		**5,373**	150
		(84,103)	(26,965)
Investing activities			
Property held for development and sale		**(1,090,512)**	-
		(1,090,512)	-
Financing activities			
Shares and warrants issued for cash		**1,775,822**	250
		1,775,822	250
Net cash inflow / (outflow)		**601,207**	(26,715)
Cash position, beginning of year		**323,780**	350,495
Cash position, end of year		**924,987**	323,780

Supplementary information:

Cash paid during the year for interest		-	-
Cash paid during the year for income taxes		-	-

See accompanying notes to the consolidated financial statements.

GREENBRIAR CAPITAL CORP

Consolidated Statements of Changes in Equity
Years ended December 31, 2011 and 2010
(Expressed in Canadian dollars)

	Common shares		Equity compensation	Warrants reserve		Accumulated other comprehensive	Accumulated	Total shareholders'
	Number	Amount	Reserve	Number	Amount	income (loss)	Deficit	equity
	#	$	$	#	$	$	$	$
Balance at January 1, 2010	6,145,750	390,213	36,187	254,250	13,388	-	(94,959)	344,829
Shares issued for:								
Exercise of warrants at $0.10	2,625	401	(12)	(2,625)	(139)	-	-	250
Net loss for the year	-					-	(30,060)	(30,060)
Balance as at December 31, 2010	6,148,375	390,614	36,175	251,625	13,249	-	(125,019)	315,019
Exercise of warrants at $0.10	251,625	38,411	-	(251,625)	(13,249)	-	-	25,162
Private placement of 4,100,000 shares at a price of $0.50 per common share, net of issuance cost of $379,321	4,100,000	1,670,679	-	287,000	59,981	-	-	1,730,660
Exercise of options at $0.10	200,000	38,088	(18,088)	-	-	-	-	20,000
Currency translation adjustment	-	-	-	-	-	(19,939)	-	(19,939)
Net loss for the year	-	-	-	-	-	-	(302,656)	(302,656)
Stock-based compensation	-	-	222,834	-	-	-	-	222,834
Balance as at December 31, 2011	**10,700,000**	**2,137,792**	**240,921**	**287,000**	**59,981**	**(19,939)**	**(427,675)**	**1,991,080**

See accompanying notes to the consolidated financial statements.

1. General Information

Greenbriar Capital Corp. was incorporated under the Canada Business Corporations Act on April 2, 2009 and is a real estate issuer on the TSX Venture Exchange. The Company's head office is located at Suite 1328, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8. On August 2, 2011, Greenbriar incorporated Greenbriar Capital Holdco Inc. ("Greenbriar USA"), a Delaware corporation. Greenbriar is the sole shareholder of Greenbriar USA. On August 2, 2011, Greenbriar USA formed Greenbriar Capital (U.S.) LLC ("Greenbriar LLC"), a limited liability corporation formed under the laws of the State of Delaware. Greenbriar USA is the sole member and manager of Greenbriar LLC.

On October 6, 2011 the Company received approval from the TSX Venture Exchange approving its qualifying transaction and non-brokered private placement. The Company is listed as a Tier 2 real estate issuer and is no longer considered a Capital Pool Company. The Company's shares trade on the exchange under the symbol "GRB".

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. The nature of the Company's business is the acquisition, management, improvement, and eventual sale of its property and any other properties it acquires in the future. The Company has been successful to date in acquiring its first property, however future inflows of cash are dependent on actions by management to bring the property to completion including the eventual sale of property lots and raising additional capital for other acquisitions if required. The Company has no history of operations, earnings or revenues. However, the Company anticipates that existing cash resources will be sufficient to cover its funding requirements for the ensuing year. If it is unable to generate cash flow from the sale or otherwise disposition of the property, or if it is unable to raise any additional funds, it could have a material adverse effect on its financial condition and cause significant doubt about the company's ability to continue as a going concern. If the going concern basis was not appropriate for these consolidated financial statements, then significant adjustments would be necessary to the carrying value of assets and liabilities, the reported statement of operations and the balance sheet classification.

2. Significant accounting policies

(a) *Basis of presentation*

These consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with the International Financial Reporting Standards ("IFRS) and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

These consolidated financial statements have been prepared on the historical cost basis. The comparative figures presented in these consolidated financial statements are in accordance with IRFS. All information is expressed in Canadian dollars unless otherwise stated and are prepared in accordance with the following significant accounting policies:

2. Significant accounting policies (continued)

(b) *First time adoption of IFRS*

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *'First- time Adoption of International Financial Reporting Standards'*, the IFRS are applied retrospectively as at the transition date, with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings. The Company is not applying any exemptions on first-time adoption of IFRS.

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption of IFRS has not changed the Statements of Financial Position, Statements of Comprehensive Loss, Statements of Changes in Equity and Statements of Cash Flows as previously reported under GAAP. No transitional adjustments were made when converting from GAAP to IFRS.

Statement of Financial Position and Shareholder's Equity Reconciliation

	As at January 1, 2010 (Date of transition)		
	Canadian GAAP	**Effects of transition to IFRS**	**IFRS Opening**
	$	$	$
Assets			
Cash	350,495	-	350,495
Refundable tax credit	2,218	-	2,218
	352,713	-	352,713
Liabilities			
Accounts payable	534	-	534
Accrued liabilities	7,350	-	7,350
	7,884	-	7,884
Shareholders' equity			
Share capital	390,213	-	390,213
Contributed surplus	36,187	-	36,187
Warrants	13,388	-	13,388
Deficit	(94,959)	-	(94,959)
	344,829	-	344,829
	352,713	-	352,713

(c) *Adoption of new and revised standards and interpretations*

The following new standards, amendments to standards, and interpretations have been issued but are not effective during the year ended December 31, 2011:

- IFRS 7 — Enhance disclosure on transfer of financial assets (iv)
- IFRS 9 — New financial instruments standard that replaces IAS 39 for classification and measurement of financial assets (iii)
- IFRS 10 — New standard to establish principles for the presentation and preparation of consolidated financial statements when an entity controls multiple entities (i)
- IFRS 12 — New standard for the disclosure of interests in other entities not within the scope of IFRS 9/IAS 39(i)
- IFRS 13 — New standard on the measurement and disclosure of fair value (ii)

2. Significant accounting policies (continued)

(c) *Adoption of new and revised standards and interpretations (continued)*

- IAS 1 (Amendment) — Presentation of other comprehensive income (ii)
- IAS 28 (Amendment) — New standard issued that supersedes IAS 28 (2003) to prescribe the accounting for investments in associates and joint ventures (i)

i. Effective for annual periods beginning on or after January 1, 2013
ii. Effective for annual periods beginning on or after July 1, 2012
iii. Effective for annual periods beginning on or after January 1, 2015
iv. Effective for annual periods beginning on or after July 1, 2011

The Company has not yet determined or assessed the impact of adopting these new standards.

(d) *Foreign exchange translation*

The Company's functional and local currency is the Canadian dollar and the subsidiaries functional currency is the US dollar. The subsidiaries will be translated into Canadian dollars at the rate of exchange in effect at the balance sheet date for all assets and liabilities. Revenues and expenses of the subsidiaries will be translated at the average exchange rate prevailing during the period. Translation gains and losses are recorded as a currency translation adjustment in accumulated other comprehensive loss.

(e) *Principles of consolidation*

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated.

(f) *Significant accounting judgments and estimates*

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reporting amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Areas that often require significant management estimates and judgment include stock-based compensation, warrants, going concern assessment, and income tax provisions.

(g) *Cash*

Cash consists of cash and cash equivalents comprise cash at banks and on hand, and short term money market instruments with an original maturity of three months or less, which are readily convertible into a known amount of cash.

(h) All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

2. Significant accounting policies (continued)

(h) *Financial assets (continued)*

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that investment below its cost.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(i) *Property held for development and sale*

Capitalized costs for land under development and sale include costs of conversion and other costs relating to the development of the property.

Property held for development is recorded at the lower of cost and net realizable value.

(j) *Financial liabilities*

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including embedded derivatives, are also classified as held-for-trading unless they are designated as effective hedging instruments. Transaction costs on financial liabilities classified as FVTPL are expensed as incurred. At the end of each reporting period subsequent to initial recognition, financial liabilities classified as FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

2. Significant accounting policies (continued)

(k) *Taxation*

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are substantively enacted at the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venture and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognized directly in equity is recognized in the consolidated statements of changes in equity and not in the consolidated statements of loss and comprehensive loss.

2. Significant accounting policies (continued)

(k) Taxation (continued)

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

(l) Stock-based payments

The Company accounts for stock-based compensation using the Black-Scholes option pricing model. Accordingly, the fair value of the options at the date of grant is accrued with a corresponding credit to equity compensation reserve, and charged to earnings over the vesting period. If and when the stock options are exercised, the applicable amounts of contributed surplus are transferred to share capital.

(m) Loss per share

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the period.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized for the use of the proceeds that could be obtained upon the exercise of options, warrants or similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

The difference between the shares issued on the exercise of the stock options and the number of shares purchased, on a weighted average basis, is added to the number of shares outstanding. Anti-dilutive stock options are not considered in computing diluted earnings per share. Stock options are typically dilutive when the average market price of the common shares during the year exceeds the exercise price of the options.

(n) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. Property held for development and sale

	December 31, 2011	December 31, 2010
Property held for development and sale	$ 1,070,573	$ -
	$ 1,070,573	$ -

On September 27, 2011 the Company acquired property in accordance with its acquisition agreement with Marks & Kilkenny LLC to acquire real property in Tehachapi, California, USA, as its qualifying transaction under the rules of the TSX Venture Exchange. The purchase price for the real property was US $1,040,000 and was in the form of cash conservation. The Vendor was the sole owner of the property. The property comprises of an aggregate of 160 acres divided into approximately 689 total lots. The property's existing use is as vacant land, which land has been rezoned to permit the construction and development of multi-family apartments and / or single family residential homes. The City of Tehachapi is located in the Tehachapi Pass, a mountain pass located in southern California. The pass connects San Joaquin Valley to the Mojave Desert. It is located approximately 35 miles southeast of Bakersfield, California.

There were no properties held for development and sale prior to the year ended December 31, 2010.

	2011
Land acquisition	1,057,472
Property taxes	6,633
Land appraisal & related fees	6,468
	1,070,573

As at December 31, 2011, the Company conducted an impairment review and found no indicators of impairment to the property held for development and sales.

4. Income Taxes

A reconciliation of the (provision) recovery of income taxes is as follows:

	2011	2010
	$	**$**
Net loss	**(302,656)**	(30,060)
Statutory tax rate	**26.5%**	28.5%
Recovery of income taxes based on combined Canadian and provincial statutory rates	**(80,204)**	(8,567)
Add/Deduct:		
Non-deductible expenses	**59,051**	5
Future rate difference	**2,668**	1,828
Changes in unrecognized deferred tax assets	**18,485**	6,734
	-	-

The statutory rate was 26.5% in 2011 (2010 - 28.5%). The decrease from 2010 to 2011 was due to a reduction in the 2011 Canadian corporate tax rates as part of a series of corporate tax rate reductions previously enacted by the Canadian Federal Government.

4. Income Taxes (continued)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2011	2010
	$	$
Unrecognized deductible temporary differences and unused tax losses		
Share issue costs[1]	**353,320**	72,057
Non-capital and net operating loss carryforward	**305,214**	127,333
	658,534	199,390
Unrecognized deferred tax asset	**(658,534)**	(199,390)
Net deferred tax assets	**-**	-

[1] Share issue costs are credited directly to equity with a complimentary unrecognized deferred tax asset resulting in a nil recognized deferred tax asset.

In assessing the realizability of deferred tax assets ("DTA"), management considers whether it is probable that some portion or all of the DTA will not be realized. The ultimate realization of DTA is dependent upon the generation of deferred taxable income during the periods in which those temporary differences become deductible. As of December 31, 2011 and 2010, the Company does not believe it meets the criteria to recognize DTA.

At December 31, 2011, the Company has total non-capital and net operating loss carryforwards of approximately $305,214 which expire as follows:

	$
2029	52,045
2030	75,288
2031	177,881
	305,214

5. Share capital

(a) Authorized

Unlimited number of common shares without par value

(b) Private placement of units

On September 22, 2011 the Company closed a non-brokered private placement offering of 4,100,000 common shares at a price of $0.50 per share for total gross proceeds of $2,050,000. The shares are subject to a holding period expiring on January 23, 2012. The Company paid a sponsorship fee of $40,000, in addition, and as compensation for advisory services provided, the Company paid a cash commission of 7% of the gross proceeds raised and further granted warrants equal to 7% of the number of shares sold (287,000) at a price of $0.50 per share for a period of two years from September 22, 2011. In addition, the Company incurred customary costs and expenses associated with sponsorship transactions. Total share issuance costs relating to the non-brokered private placement amounted to $379,321 and are recorded as a deduction from common shares.

5. Share capital (continued)

(c) *Stock option plan (continued)*

The Company has a stock option plan (the "Plan") to issue up to and not to exceed 10% of the issued and outstanding common shares.

Under the Plan, each option entitles the holder to acquire one common share at its exercise price. Options vest immediately.

On November 28, 2011, the Company granted 500,000 options to its Directors and Officer to acquire common shares at $0.57 per share under the Plan. The options are fully vested on the date of the grant of such option.

On December 12, 2011, 200,000 stock options were exercised at $0.10 per share.

The Company recorded $222,834 of stock-based compensation expense during the year ended December 31, 2011 (2010 - $nil).

A summary of stock option information as at December 31, 2011 is as follows:

	Shares	Weighted average exercise price
		$
Options outstanding as at December 31, 2010	400,000	0.10
Options granted	500,000	0.57
Options exercised	(200,000)	0.10
Options outstanding as at December 31, 2011	700,000	0.44

	Stock options outstanding			Options exercisable	
Exercise price	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of options outstanding and exercisble	Weighted average exercise price
$		$	Years		$
0.10	200,000	0.10	7.46	200,000	0.10
0.57	500,000	0.57	4.92	500,000	0.57
0.44	700,000	0.44	5.64	700,000	0.44

The fair value of the Company's stock-based awards granted to Directors was estimated using the Black-Scholes option-pricing model with the following assumptions:

5. Share capital (continued)

(c) Stock option plan (continued)

	2011	2010[1]
Expected life (in years)	5.00	-
Risk-free interest rate	1.4%	-
Expected volatility	79%	-
Dividend yield	-	-

[1] There was no issuance of stock options for the year ended December 31, 2010.

Expected volatility has been based on historical volatility of the Company's publicly traded shares.

(d) Basic and diluted loss per common share

Outstanding stock options and share purchase warrants have not been included in the computation of diluted loss per share for the year ended December 31, 2011 and the year ended December 31, 2010, because to do so would be anti-dilutive.

6. Warrants

Share purchase warrants outstanding as at December 31, 2011:

Number of share purchase warrants (i)	Black-Scholes value	Exercise price	Expiry date
	$	$	
287,000 (ii)	59,981	0.50	September 22, 2013
287,000	59,981		

The fair value of each warrant granted has been estimated as of the date of the grant using the Black Scholes option pricing model with the following assumptions:

	2011	2010[1]
Expected life (in years)	2.00	-
Risk-free interest rate	0.8%	-
Expected volatility	77%	-
Dividend yield	-	-

[1] There was no issuance of warrants for the year ended December 31, 2010.

(i) Each share purchase warrant entitles the holder to acquire one common share of the Company on the payment of the exercise price as indicated.

(ii) On September 22, 2011 the Company completed its non-brokered private placement. As a condition of the offering, the agent received an option to acquire common shares equal to 7% of the number of shares sold (287,000) at a price of $0.50 per share for a period of two years from September 22, 2011.

6. Warrants (continued)

For the year ended December 31, 2011, the Company recorded $13,249 ($139 - December 31, 2010) of warrants exercised. All of the warrants granted on September 18, 2009 are fully exercisable.

7. Financial instruments

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

(a) Fair value

Financial instruments consist of cash, HST receivable, accounts payable and accrued liabilities. Cash is reported at its fair value. The fair values of all other financial instruments are considered to approximate their carrying values due to their short-term nature.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances; however, management does not believe this exposure is significant.

(c) Credit risk

The Company is exposed to credit risk through its cash which is held in large Canadian financial institutions and its HST receivable. The Company believes the credit risk for cash on deposit is insignificant. Cash is reported at fair value, using level 1 of the fair value hierarchy. The Company's exposure is limited to amounts reported within the statement of financial position.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accrued liabilities and accounts payable are due within the current operating period.

(e) Fair value hierarchy

The following table provides an analysis of the Company's financial assets and liabilities that are measured at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observed market data. As at December 31, 2011, the Company does not have any Level 3 financial instruments.

7. Financial instruments (continued)

As of December 31, 2011, the undernoted were reported at fair value.

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	924,987	-	-	924,987
Total	924,987	-	-	924,987

8. Capital management

The Company manages its capital, taking into account the long-term business objectives of the Company, to provide stability and reduce risk. The Company defines its capital as shareholders' equity. The primary use of capital will be used for the development of its land held for development and sale and potential acquisitions.

9. Related party transactions

For the year ended December 31, 2011, the Company paid $7,800 ($Nil - December 31, 2010) to key management personnel of the company.