



## **Management Discussion and Analysis**

**For the year ended December 31, 2014**

## INTRODUCTION

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements and related notes thereto of Greenbriar Capital Corp. ("Greenbriar" or "us" or "we" or "our" or the "Company") for the year ended December 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in Canadian dollars unless otherwise stated. This Management Discussion and Analysis has been prepared as of April 29, 2015 and includes certain statements that may be deemed "forward-looking statements". Investors are directed to the section "Risks and Uncertainties" and to page 13 for a statement on forward-looking information included within this MD&A.

## BUSINESS OVERVIEW

Greenbriar's business focus is the acquisition, permitting, re-zoning, management, development and possible sale of commercial, residential, industrial, and renewable energy related real estate and energy projects in North America. The Company is currently developing wind and solar energy projects in Utah and Puerto Rico.

Greenbriar is listed on the Toronto Venture Exchange under the symbol "GRB" and its registered records office is located at 1780 – 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

## RECENT DEVELOPMENTS AND OVERVIEW

The Company has a significant working capital deficit of \$2,911,888 and a cash position of \$3,184 at December 31, 2014. To address the working capital deficit and improve the Company's cash position, on October 10, 2014, the Company listed for sale its Tehachapi property (see *Recent Developments and Overview – Tehachapi Project*) with a real estate agent for US \$2.4 Million. Further, on April 17, 2015, the Company completed a private placement for \$307,500 by issuing 205,000 units of the Company. Each unit is comprised of one common share and one half common share purchase warrant. Each full Warrant entitles the holder to purchase one common share of the Company for a period of five years from the date of issuance at a price of \$1.75 per share.

However, in order to continue operations, the Company will need to raise additional capital through debt or equity in the short-term until it can realize the proceeds from the sale of the land, obtain financing for the construction and eventual production of the Company's projects or until the Company is sold. At this time, the Company cannot represent that it will be successful in raising additional capital or predict when the sale of land will be completed or at what price. As discussed below, much will depend on settlement discussions with PacifiCorp regarding the Blue Mountain PPA, and if and when a site PPOA can be issued under the Company's Master Power Purchase Agreement for Montalva with the Puerto Rico Electric Power Authority.

### **Montalva Solar Project**

As background, the Montalva Solar Project is a proposed 100 MW AC solar photovoltaic renewable generating facility located in the municipalities of Guanica and Lajas, Puerto Rico and is being developed under a 100 MW Master Renewable Power Purchase and Operating Agreement ("PPOA") between PBJL Energy Corporation ("PBJL") and Puerto Rico Electric Power Authority ("PREPA") dated December 20, 2011, and amended on March 16, 2012 (the "Master Agreement"). PBJL a wholly owned subsidiary of AG Solar One and as discussed below AG Solar One is 100% owned by Greenbriar Capital Corp.

Under the terms of the Master Agreement, if the Montalva Solar Project is constructed, Greenbriar will receive US \$140 per megawatt hour ("MWh") for electricity production escalating at 2% annually. If the project had been completed in 2014, then the terms of Master Agreement would have paid US \$150 per MWh escalating at 2% annually. Since the Montalva Solar Project has been delayed by PREPA beyond 2014 through no fault of Greenbriar, it is the position of Greenbriar that the US \$150 per MWh price should be paid under the PPOA.

Legal Counsel of the Company has served PREPA notice that it must follow the terms of the Master PPOA or PREPA must pay the Company \$210 USD Million in damages.

The term of any project specific PPOA issued under the Master Agreement will be for twenty-five years and may be extended by mutual agreement for up to two consecutive additional five-year terms. In addition, under terms of the Master Agreement, Greenbriar will own all Renewable Energy Credits ("REC") produced by the facility which can be sold separately to PREPA or into the US national market where qualified. Currently the average price contracted for the REC's by PREPA in Puerto Rico is an additional US \$35 per MWh. Anticipated production is 250,000 MWh per year. Greenbriar will also retain the US Investment Tax Credit ("ITC"); which provides 30% of the entire capital costs of the Montalva Solar Project. Based on recent estimates of capital costs and designing a project size of 146 MW DC which will incorporate additional solar panels to maintain maximum generation over more hours of delivery of the 100 MW AC, the estimate project cost is US \$380 Million expected to be financed by project debt, project equity and tax equity. Annual revenues are anticipated at \$60 Million per year.

Although no formal independent third party project valuation has been conducted on the Montalva Solar Project, the Master PPOA constitutes a liability by PREPA to the Company for an amount equivalent to approximately 250,000 MWh per year for 25 years at US \$140 per MWh escalating at 2% plus approximately US \$35 per MWh for the Renewable Energy Credits ("REC"). This amount over 25 years is approximately US \$1.2 Billion.

In April 2013 the Company entered into a 50/50 arrangement, called AG Solar One with a subsidiary of TSX-listed Alterra Power Corp ("Alterra") (the "Arrangement") to develop 100 Megawatts (MW's) of solar generation capacity in Puerto Rico under the Master Agreement (the "Montalva Solar Project" or "Montalva"). The Arrangement was structured through a limited liability company called AG Solar One, LLC ("AG Solar"). As described below, on September 12, 2014, the Company acquired Alterra's 50% interest in AG Solar and the Company now owns 100%.

The US subsidiary of Alterra, which owned half of AG Solar, advanced US \$1.1 Million to AG Solar so that it could acquire the interest in a Puerto Rican Company PBJL that, in turn owned the Master Agreement. The Company's US subsidiary owned 33.3% and owes the spouse of an officer US \$500,000 for that 33.3% interest on terms yet to be negotiated. Upon entering the Arrangement, it was understood by both parties that if a partnership operating agreement could not be negotiated to a mutually satisfactory conclusion, the Company would repay the funds advanced by Alterra for the indirect purchase of the Master Agreement. The Company and Alterra could not reach an agreement regarding how AG Solar was going to be operated and, therefore, on July 12, 2013, and as amended October 11, 2013, the Company signed a Membership Interest Purchase and Sale Agreement ("MIPSA") with Alterra whereby the Company agreed to acquire Alterra's 50% interest in and to the shares of AG Solar. The Company agreed to repay Alterra the original monies advanced by Alterra, including additional amounts agreed to by the parties in connection with the forbearance, a total of US \$1.25 Million to be paid in five tranches. Upon payment of all monies to Alterra, the Company was to retain a 100% ownership interest in and to the Master Agreement. As at February 17, 2014, the Company had paid US \$250,000 to Alterra and had accrued remaining payments totaling US \$1.0 Million. The Company negotiated the issuance of securities to Alterra to settle the remaining debt of US \$1.0 Million.

On August 12, 2014, Alterra agreed to exchange the remaining outstanding payments of \$1,094,400 (US \$1.0 Million) for 684,000 units of the Company (see *Liquidity and Capital Resources*). With the completion of the MIPSA on September 12, 2014, the Company now owns 100% of AG Solar and Alterra's option to acquire joint venture interest of \$1.4 Million (December 31, 2013 - \$772,150) was transferred to intangibles since the advance from Alterra was related to the purchase of the Master Agreement.

In September and December 2013, the Company entered into four (4) land lease option agreements in Puerto Rico after a site selection process (the "Montalva Option Agreements"). The Montalva Option Agreements are for two (2) sites located in close proximity that can be developed as a single project of 100MW AC or 5 projects of 20MW AC each in a region associated with low rainfall and cloud cover, exceptional levels of solar irradiance, excellent topography and drainage, low environmental impact and in proximity to 115 kilovolts ("kV") transmission lines and a PREPA substation.

Of the Montalva Option Agreements, the Company entered into a one-year option agreement dated September 9, 2013, which gives the Company the exclusive right and option to lease a 775 acre site in Puerto Rico for the construction and operation of the first phase of the 100 MW AC solar photovoltaic electric generating facility ("Solar Facility"). Upon execution of the option agreement, the Company paid US \$50,000 and two additional US \$50,000 payments four and eight months after the effective date of the agreement. In August 2014, the parties agreed in principal to extend the lease option to January 2, 2015, and the Company paid an additional option fee of US \$30,000. The Company and the parties have since extended the lease option and the underlying purchase option for an additional one-year period commencing January 2, 2015, at the rate of US \$150,000 payable with US \$30,000 on April 1, 2015, followed by payments of \$45,000 on July 1, 2015, and September 1, 2015.

Additionally, on December 1, 2013, the Company entered into a three-year option agreement with renewal options for up to two additional years, which gives the Company the exclusive right and option to lease an additional 161 acre site in Puerto Rico for the Solar Facility. Upon execution of the option agreement, the Company paid US \$35,000 and is required to pay after the first year, an additional US \$10,000 in advance each successive four-month period for the next two years. Due to the Company's current cash position, the Company the lessor has agreed to a deferral payment commencing December 1, 2014, until such time as the Company is able to raise additional short term capital.

On January 1, 2014, the Company entered into two (2), five -year option agreements, which gives the Company the exclusive right and option to lease up to a total of 654 additional acres in Puerto Rico to further expand the Solar Facility. Upon execution of the option agreements, the Company paid US \$25,000 and US \$10,000 and is required to pay after the first year, an additional US \$8,500 and US \$3,500 respectively, in advance each successive four-month period for the next four years. Due to the Company's current cash position, the lessor has agreed to a deferral of payment commencing January 1, 2015, until such time as the Company is able to raise additional short-term capital.

All four option agreements comprising the Montalva Option Agreements provide for a lease term of twenty five years from the date of execution and may be extended for up to four additional consecutive periods of five-years each, at the Company's option.

As previously stated, in order to continue operations and likewise make the lease option payments, the Company will need to raise additional capital through debt or project equity in the short-term until it can realize the proceeds from the sale of the land, placement of stock or until the Company is sold.

Further, Greenbriar entered into a service agreement with a leading environmental consulting firm based in Puerto Rico for completing environmental site studies, completing the environmental assessment and for filing a site location authorization with the jurisdictional permitting authorities for review and approval of the construction and operation of the 100 MW AC project. On December 3, 2013, an Environmental Impact Statement (“EIS”) was prepared for the project and a permit application was filed with the jurisdictional agency. The Office of Government Permissions (“OGPe”) in charge of processing the permit has completed its environmental review of the project’s permit application and has found the application complete and has not raised any red flags or issues. Notwithstanding, OGPe is holding the permit application before advancing the application to other agencies for their review pending a site specific PPOA being issued by PREPA under the Master Agreement. Greenbriar filed an appeal through OGPe’s internal appeal process to appeal the OGPe’s decision not to process the application to other agencies in advance of issuance of a site specific PPOA. Such appeal was rejected by notice received from OGPe on August 25, 2014. Subsequently, Greenbriar filed an appeal action with the Puerto Rico Court of Appeals on September 19, 2014. On March 26, 2015, the Appeals Court upheld the prior appeal decision denying Greenbriar’s requested relief. Greenbriar has 30 days to file a further appeal with the Supreme Court of Puerto Rico and the Company intends to file that appeal.

On April 14, 2014, the Company entered into an agreement with the Land Authority of Puerto Rico and deposited US \$75,000 to lease an additional 51 acres of land for the construction and operation of the interconnection transmission line for the Solar Facility. The lease agreement provides for a term of thirty-years and can be extended for a longer term at then applicable commercial rates by mutual agreement of the parties.

At this time, Greenbriar continues in discussion with PREPA and the government to get a site specific PPOA issued for the Montalva Solar Project under terms of its Master Agreement and in accordance with the Company’s project proposal submitted to PREPA on September 5, 2013.

Notwithstanding the above, Greenbriar received a letter from PREPA on August 25, 2014, dated July 18, 2014, wherein PREPA notified Greenbriar that:

*“Based on an analysis of the current available information regarding the PPOAs, PREPA understands that those projects that are on an advanced state of the permitting and development process represent over 600 MW of renewable energy capacity. Including the projects currently in commercial operation, the maximum capacity of 580 MW that can be safely interconnected to our grid will be met with the current PPOAs. PBJL seeks to finalize PPOAs for these projects and complete their initial phases by in 2014 in order to be able to take advantage of the financial terms of the PPOA. For the reasons discussed above, PREPA is unable to consider signing additional PPOAs since it is not technically feasible at this moment to interconnect more capacity than that already committed to by PREPA.”*

The letter received from PREPA was in response to a letter sent to PREPA by Greenbriar on July 14, 2014, requesting their assistance to inform OGPe that PREPA has no objection in OGPe proceeding with the Montalva permit in accordance with the terms and conditions of the Master Agreement wherein PREPA is to support and assist in the processing of project permits.

As follow up and due to the PREPA letter received on August 25, 2014, Greenbriar sent a Notice of Default to PREPA on September 25, 2014, regarding PREPA’s nonperformance under the Master Agreement and requesting compliance and corrective action with the Master Agreement terms and conditions therein. PREPA responded on November 3, 2014, stating they had met their obligations under the Master Agreement and declining to take corrective action.

The Company requested and received a legal opinion on October 27, 2014, from a Puerto Rican law firm establishing that the Company’s Master Agreement **is a binding agreement** between the Company and PREPA and that PREPA will be subject to damages by the Company if PREPA fails to perform on its obligations to the Company. The Company is seeking cost proposals from various law firms to request judicial enforcement of our Master Agreement. This is running concurrently with continuous proactive dialogue with PREPA and the Government. Such steps to de-risk the project are necessary before any prospective purchasers of the project or the Company will submit a binding offer. On February 10, 2015, the law firm of Gierbolini Consulting Group, LLC of San Juan, Puerto Rico was retained by Greenbriar and sent a letter to Juan Alicea Flores, President of PREPA, stating our intent to commence legal action against PREPA unless PREPA performed the required studies as required by the Master Agreement and signed the project specific PPOA for Montalva. No response has been received from PREPA and Greenbriar is moving forward with legal action against PREPA to protect its rights. In the alternative Greenbriar has asked for \$210 Million in monetary damages.

### **Blue Mountain Wind Project**

As background, the Blue Mountain Wind Project (“Blue Mountain”) is a proposed 80 MW AC renewable generating wind facility located in Southeastern Utah near the city of Montecito in San Juan County. Blue Mountain has a twenty-year Power Purchase Agreement (“PPA”) with PacifiCorp executed on July 3, 2013.

Although no formal independent third party project valuation has been conducted on the Blue Mountain, the PPA with PacifiCorp constitutes a liability by PacifiCorp to the Company for an amount equivalent to approximately 224,000 MWh per year for 20 years projected at an estimated US \$60.74 per MWh. This amount over 20 years is approximately US \$272

Million. However, as stated below, the project is stalled and PacifiCorp has issued a notice of termination of the PPA claiming non-compliance by Blue Mountain.

On August 2, 2013, the Company completed a formal acquisition agreement for Blue Mountain, Utah Wind Energy Project, USA. The Blue Mountain acquisition included all discretionary permits, eight individual land leases and option to purchase agreements, a fully executed twenty year 80 MW PPA with PacifiCorp, six years of meteorological data and studies, a System Impact Study agreement, completed environmental work, the receipt of seven supply term sheets from top tier wind turbine vendors and a draft financing mandate from a world class financial institution. The acquisition of Blue Mountain was completed through Greenbriar Capital Corp's wholly owned US subsidiary, Greenbriar Capital Holdco Inc., which signed a definitive Membership Interest Purchase and Sale Agreement ("MIPSA") with Champlin Windpower, LLC of Santa Barbara, California. The acquisition of the MIPSA has immediately granted Greenbriar a 50% interest ("Initial interest"). The agreement then allows Greenbriar to perform two milestone tasks, which will then increase the ownership interest up to 100%. The initial interest was financed by way of a three-year loan from the CEO and his spouse, which bears interest at 10% per annum.

On August 22, 2013, the Company signed a project financing mandate with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch ("Rabobank") whereby Rabobank will act as lead arranger for the project financing of Blue Mountain. Due to the lapse of time and lengthy force majeure event described below, the mandate is no longer in effect with Rabobank.

On December 9, 2013, the Company commenced construction at Blue Mountain sufficient to qualify the project for federal tax subsidies in the form of Production Tax Credits or Investment Tax Credits both of which were extended by Congress for wind projects under construction or had spent 5% of project cost by the end of 2014. Construction was awarded to RMT, Inc. ("RMT") of Madison, Wisconsin, a subsidiary of IEA Infrastructure and Energy Alternatives, LLC of Chicago. Total construction costs for Blue Mountain are expected to be US \$160 Million if financed by the Company, with approximately US \$136 Million of combined project tax equity and back-leveraged debt, and the balance through mezzanine loans and vendor related financing. Construction costs if built by a large balance sheet energy company with internal tax appetite would be in the US \$140 to \$145 Million range. The commencement of construction qualified Blue Mountain for US \$43 Million of federal investment tax credits.

On May 5, 2014, the Company, under Blue Mountain Power Partners, LLC, entered into a Qualifying Facility for a Large Generator Interconnection Agreement ("QLGIA") with PacifiCorp, the transmission provider. Under the QFLGIA, PacifiCorp shall design, procure, and construct the interconnection facilities and provide network upgrades for the Blue Mountain. The term of the QFLGIA is for a period of ten years from the effective date and shall be automatically renewed for each successive one-year period thereafter.

On October 3, 2013, the Utah Public Service Commission ("PSC") approved the power purchase agreements between Blue Mountain Power Partners and PacifiCorp and an additional small power producer, Latigo Wind Park. Under these agreements, PacifiCorp's Rocky Mountain Power division is obligated to purchase all power produced by the producers' clean energy wind projects in Southeastern Utah. Within the statutory timeframe, an unrelated third party competitor of Latigo and Blue Mountain filed an appeal of the approval of the PPA contracts by the PSC with Utah State Supreme Court. The third party had intervened in the PSC approval proceedings and had legal standing to challenge the Latigo and Blue Mountain agreements. The third party asserted that the PSC had unlawfully excused Latigo and Blue Mountain from compliance with the terms of an applicable regulatory tariff, referred to as Schedule 38. It also claimed discrimination by PacifiCorp in requiring the third party to comply with the regulatory requirements from which Latigo and Blue Mountain had been excused and asserted that the power purchase agreements were too vague to be enforceable and should be disapproved on that basis. By the third party's actions, the approval of the Blue Mountain PPA was not legally approved and could not become final until the appeal was resolved. On May 30, 2014, the Utah State Supreme Court ruled against the third party and upheld the approval of the PPA by the PSC.

Upon completion and execution of the QFLGIA and as impacted by the third party appeal and the lengthy delay with the Utah State Supreme Court reaching a decision, on May 14, 2014, the Company declared and filed for Force Majeure under its PPA with PacifiCorp and suspended its QFLGIA. The requirements, deadlines and prices as specified in the PPA contemplated that the commencement date would be no later than fall of 2013. However, the Company's PPA did not become final and non-appealable until May 30, 2014, when the third party appeal was rejected by the Utah Supreme Court. The Company's PPA is now final and non-appealable and the Force Majeure event is over. As a result, the Company and PacifiCorp must enter into settlement discussion to renegotiate dates, prices and obligations contained in the PPA and the Interconnection Agreement to better reflect current market conditions and construction timelines that had lapsed while the PPA was disputed for almost eight months. SB 12 provides for renewable generators to sell their energy directly to end users using the default utility as an administrator and facilitator of this process.

Further, due to the hazards posed by wind turbines to birds and bats, the Company as part of its environmental compliance requirements has been conducting twice monthly site surveys of bird and eagle activity at the site. In addition, the Company is required to document bird and eagle nesting locations and activity within a buffer area surrounding the project boundary. As a result of these surveys, an eagle nest has been located in close proximity to the project boundary on the north. The Company in close association with its environmental consultant has developed a draft Eagle Conservation Plan based on the recently completed first year of survey data and the plan has been submitted to USF&W for consultation. On the basis of possible USF&W recommendations and additional survey work yet to be conducted including spring surveys of nest activity, the Company may be required to have a biologist on site during periods when the nest of interest may be active and be required to curtail turbine operations when eagles are spotted in the vicinity of any of the project's turbines. The USF&W service could additionally recommend that certain turbines be relocated before granting an eagle take permit for the project.

Until the Company has complete an additional year of surveys and submitted a take permit application, the final result of possible avoidance and conservation measures cannot be predicted although the site has been documented and substantiated by surveys to be a low to medium area of eagle activity.

Due to the Company's current cash position, the Company was not able to make a US \$15,000 land option payment due on November 22, 2014, and will not be in a position to make an additional US \$15,000 payment due on November 30, 2014, as the Company attempts to raise additional short term capital. As previously stated, in order to continue operations and likewise make the lease option payments, the Company will need to raise additional capital through debt or project equity in the short-term until it can realize the proceeds from the sale of the land or until the Company is sold.

### ***Tehachapi Housing Project***

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 (the "Property"), as its qualifying transaction under the rules of the TSX Venture Exchange. The purchase price for the Property was US \$1,040,000. The Property comprises of an aggregate of 161 acres divided into approximately 689 total lots.

On April 1, 2014, the Company leased 161 acres of land in Tehachapi to Captiva Verde Industries Ltd ("Captiva") for organic farming. Captiva is related to the Company by a director in common. Lease payments are US \$300 per acre for the first year, US \$310 per acre for the second year, and US \$320 per acre for the third year. The lease agreement stipulates that the Company will receive all three years of payments of \$164,181 (US \$149,618) in advance. As at December 31, 2014, the Company received all three years payments. At the time the lease was entered into, the land was zoned for high and low density housing. Captiva made an application to have the land rezoned for commercial farming but was unsuccessful in its attempts. Therefore, since Captiva is unable to use the land for farming as originally contemplated in the lease agreement, the Company and Captiva have agreed to cancel the lease and all advance payments made by Captiva will be refunded.

On October 10, 2014, the Company listed both site 1 and site 2 for US \$2.4 Million with Berkshire Hathaway Home Services ("Berkshire"). The property is being marketed both in the local US market and internationally. Upon sale, Berkshire will charge a commission of 10%.

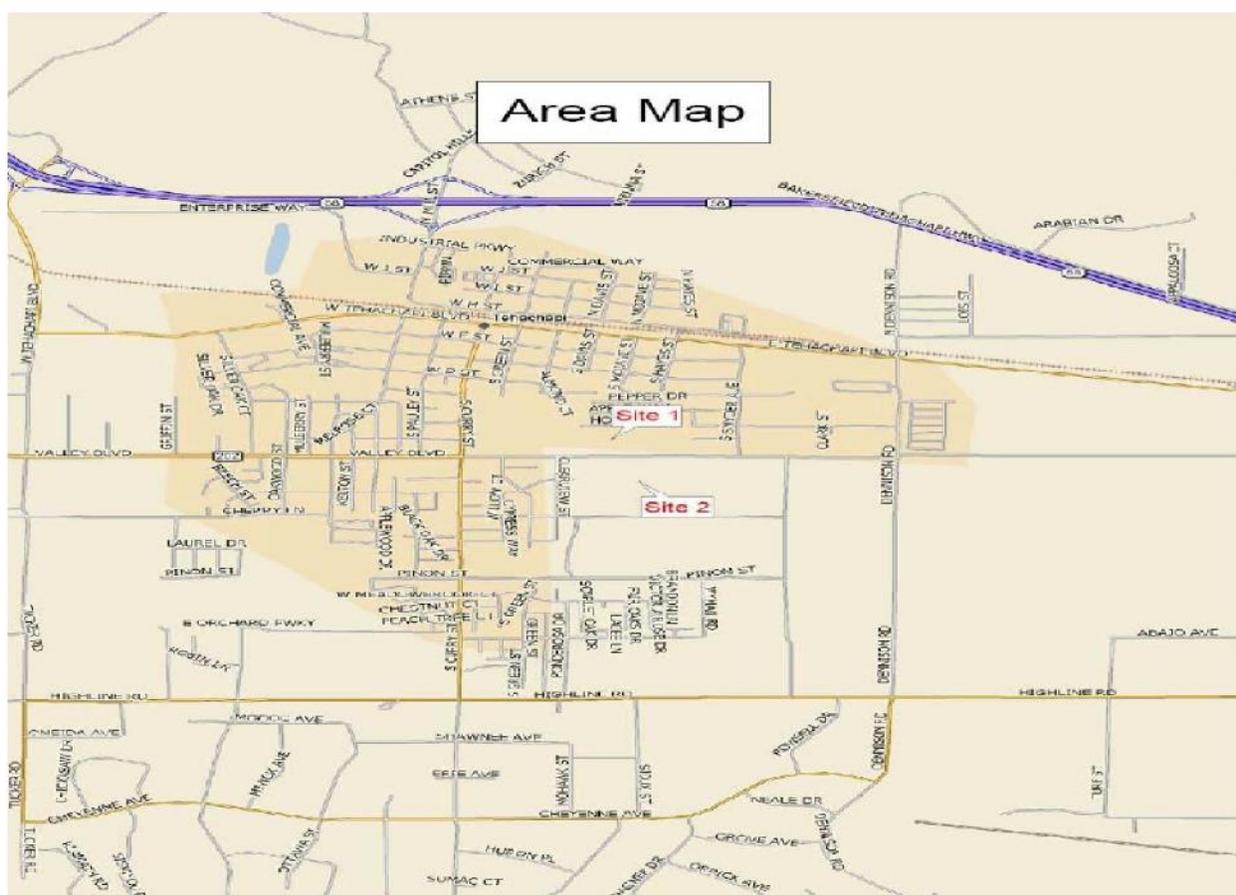
The Property is situated close to the central business district and adjacent Tehachapi High School and is comprised of five parcels of real property located within the City of Tehachapi. Tehachapi is located in Kern County on the edge of the Mojave Desert, approximately 35 miles east-southeast of Bakersfield, California.

At this time, the Company cannot predict when the land will sell or at what price.

The legal description of each parcel is as follows:

- Parcel 1 – APN 417-012-01 (approx. 32.97 acres)
- Parcel 2 – APN 417-012-28 (approx. 60 acres)
- Parcel 3 – APN 417-012-27 (approx. 20 acres)
- Parcel 4 – APN 417-012-25 (approx. 19.16 acres)
- Parcel 5 – APN 415-012-14 (approx. 28.75 acres)

Parcels 1 through 4 ("Site 2") are contiguous and aggregate approximately 132 acres of land on the south side of Cummings Valley Boulevard (State Highway 202), a major east – west thoroughfare through Tehachapi. The parcels lie immediately east of Clearview Street and immediately north of Pinon Street. The new Tehachapi High School, which opened its doors in 2003, is located immediately to the east of the parcels. A previous owner of these parcels had received Tentative Tract Map ("TTM") approvals under TTM 6218 and TTM 6723. Parcel 5 ("Site 1") comprises approximately 28 acres and lies north of parcels 1 through 4, on the north side of Cummings Valley Boulevard. The location of the Property is identified in the map below:



On March 24, 2014, the Company contracted Michael Burger & Associates to conduct another land appraisal for the Property. The appraiser determined the fair value of the Property as of March 24, 2014, with an exposure time of 11-12 months, to be US \$3,410,000 if the two sites were sold together. The fair market value of site 1 and site 2, if sold separately, are valued at US \$518,000 and US \$3,270,000 respectively. As of December 31, 2014, the Company had capitalized \$1.21 Million for the property acquisition.

## SELECTED ANNUAL INFORMATION

Fiscal Year Ended	Year Ended December 31,		
	2014	2013	2012
	\$	\$	\$
Total revenues	-	-	-
Net loss	(1,577,361)	(1,041,563)	(149,788)
Net loss per share – basic and diluted	(0.13)	(0.09)	(0.01)
Cash	3,184	228,580	652,962
Deposits (current and non-current)	261,745	151,615	141,150
GST receivable	3,790	1,976	875
Interest receivable	35,920	19,840	5,027
Investment and advances	2,983,562	2,906,602	-
Option to acquire joint venture interest	-	772,150	-
Prepaid expenses	-	48	-
Leased land	1,280,143	1,154,599	1,065,460
Power project development and construction costs	1,034,910	-	-
Intangible assets	1,450,125	-	-
Total assets	7,053,379	5,235,410	1,865,474
Total liabilities	3,973,302	3,193,859	37,526
Cash Dividends Declared	-	-	-

## RESULTS OF OPERATIONS

### Expenses

	Year Ended December 31,	
	2014	2013
	\$	\$
Audit and tax	87,540	38,580
Bank charges	5,889	3,121
Consultant	70,430	-
Finance cost	98,921	-
Foreign exchange	171,698	30,594
Interest expense	17,861	1,873
Legal	46,877	31,214
Office	22,882	44,472
Project exploration	-	15,500
Public company	44,434	48,107
Salaries	226,648	73,288
Share-based compensation	666,024	454,018
Travel	106,617	285,542
<b>Total expenses</b>	<b>1,565,821</b>	<b>1,026,309</b>

Total expenses increased to \$1,565,821 for the year ended December 31, 2014, compared to \$1,026,309 in 2012. The main fluctuations in expenses are as follows:

#### Audit and tax

For the year ended December 31, 2014, the Company incurred \$87,540 of audit and tax expenses which is an increase over the year ended December 31, 2013 of \$38,580. The increase was mainly a result of additional fees incurred in the audit of the joint ventures during the December 31, 2013 audit and leading to higher audit and tax accruals in 2014 related to joint ventures and accounting issues.

#### Consultant

For the year ended December 31, 2014, the Company incurred \$70,430 in consultant expenses compared with \$Nil for the previous year. These fees incurred were consulting fees related to the development of the renewable energy facilities (See *Transactions with Related Parties*).

#### Finance cost

For the year ended December 31, 2014, the Company incurred \$98,921 in finance costs compared with \$Nil for the previous year. The fees incurred were as a result of the Company entering into an advisory services and financing agreement with Jacob Securities Inc. to provide advisory service to support the Company's positioning within the capital markets and to raise \$6 Million for the Company. Notice to terminate the contract was given on September 23, 2014.

#### Foreign exchange

Foreign exchange for the year ended December 31, 2014 increased to \$171,698 from \$30,594 in the comparable period due to a weakening Canadian dollar against the US dollar, which resulted in higher foreign exchange losses on the Company's trade payables and outstanding loans payable.

#### Interest expense

Interest expense increased to \$17,861 for the year ended December 31, 2014 from \$1,873 in 2013 as a result of the Company entering into several loan agreements in 2014.

#### Legal

Legal Fees for the year ended December 31, 2014 increased to \$46,877 compared with \$31,214 in the previous year. The increase relates to legal fees incurred for the debt to equity settlement with Alterra, partially offset by a one-time legal cost in 2013 as the Company secured long term PPA's on the projects.

#### Office

Office costs decreased to \$22,882 in the year ended December 31, 2014 compared with \$44,472 in 2013 due to more expensive cellphone plans and office supplies incurred in 2013 to set up new office location.

#### Project exploration

For the year ended December 31, 2014, the Company incurred \$Nil of project exploration expenses compared with \$15,500 in 2013. The costs incurred in 2013 relates to advisory services on potential development projects.

#### Public company

For the year ended December 31, 2014, public company expenses remained fairly consistent at \$44,434 compared with \$48,107 in 2013.

### Salaries

For the year ended December 31, 2014, the Company incurred \$226,648 of salary expenses compared with \$73,288 in the previous year. The increase relates to additional staff to assist with the increased business activities in 2014 and the company entering into a consulting agreement with its President during 2014 (see *Transactions with Related Parties*).

### Share-based compensation

For the year ended December 31, 2014, the Company incurred \$666,024 of share-based compensation expenses compared with \$454,018 in the previous year due to the vesting of stock options issued to employees and directors in previous years.

### Travel

Travel expenses decreased to \$106,617 in the year ended December 31, 2014 compared with \$285,542 travel expenses in 2013 due to the Company's capital position.

### Comprehensive loss

For year ended December 31, 2014, comprehensive loss was \$1,305,485 (December 31, 2013 - \$967,023), which is comprised of the following items:

- A net loss of \$1,577,361 (December 31, 2013 - \$1,041,563); and
- Mark-to-market currency translation gain of \$271,876 (December 31, 2013 - \$74,540).

## **SUMMARY OF QUARTERLY RESULTS**

The following table sets out selected unaudited quarterly financial information of the Company and is derived from the unaudited condensed consolidated interim financial statements prepared by management.

<b>Three Months Ended</b>	<b>Dec 2014</b>	<b>Sept 2014</b>	<b>Jun 2014</b>	<b>Mar 2014</b>	<b>Dec 2013</b>	<b>Sep 2013</b>	<b>Jun 2013</b>	<b>Mar 2013</b>
Total Revenues			-	-	-	-	-	-
Loss for the period	(442,670)	(474,328)	(255,339)	(405,024)	(368,420)	(329,419)	(238,692)	(105,032)
Loss per share (basic and fully diluted)	(0.04)	(0.04)	(0.02)	(0.03)	(0.03)	(0.03)	(0.02)	(0.01)
Total assets	7,053,379	6,866,138	6,465,843	6,231,506	5,235,410	2,569,827	1,960,119	1,952,535
Working capital	(2,911,888)	(2,606,144)	(3,103,878)	(2,890,714)	(2,791,800)	(356,904)	621,092	784,752

Net loss has been consistent over the December and September 2014, as activity has leveled off. Previous to this the net loss had continued to increase quarter on quarter since March 2013, mainly due to the increase in the business activities of the Company and the issuance of share-based compensation in each of the 2013 quarters. June 2014 net loss increased at a lower rate due to a weaker US dollar against the Canadian dollar, resulting in a lessor impact in foreign exchange expense on the Company's trade payables and outstanding loans payables.

## **LIQUIDITY AND CAPITAL RESOURCES**

As at December 31, 2014, the Company had cash of \$3,184 and negative working capital of \$2,911,888 compared with cash of \$228,580 and negative working capital of \$2,791,800 at December 31, 2013.

Cash used in operating activities during the year ended December 31, 2014, was \$406,872 compared with cash generated of \$1,750,915 in the comparative year, the majority of which was used for the advancement of the Company's Blue Mountain and AG Solar projects.

Cash raised in financing activities during the year ended December 31, 2014 was \$2,101,359 compared with \$1,530,409 in the comparative period. Financing activities for the year ended December 31, 2014 were as follows:

- On January 28, 2014 and March 10, 2014, the Company closed a portion of the non-brokered private placement, previously announced on December 12, 2013, issuing 130,000 units and 100,000 units respectively, for a total of 230,000 units. Each unit was issued at a price of \$2.50 per share for total gross proceeds of \$575,000 of which \$535,735 was allocated to common shares and \$39,265 to the share purchase warrants based upon the relative fair values. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional share in the capital of the Company at a price of \$3.00 for a period of 24 months from the date the warrants were issued. Total share issuance costs related to the non-brokered private placement amounted to \$13,815 of which \$12,872 was allocated to common shares and \$943 to share purchase warrants based upon the relative fair values.
- On April 29, 2014, Captiva Verde Industries ("Captiva"), a company that has directors in common with Greenbriar, loaned the Company \$21,902 (US \$20,000) with interest bearing 10% per annum, compounded monthly and repayable on April 29, 2016.

- In May 2014 and June 2014, the Company received loans of US \$45,476 and CAD \$10,000 respectively, from the directors of the Company. Each loan bears interest of 10% per annum, compounded monthly and repayable after two years. On September 29, 2014, one of the director's loans for \$10,673 (US \$9,200) was paid back in full.
- On July 14, 2014, Captiva loaned the Company \$25,819 (US \$24,000) with interest bearing 10% per annum, compounded monthly and repayable on July 14, 2016.
- On July 30, 2014, a director of the Company provided a demand loan of \$23,202 (US \$20,000). The loan bears interest of 1% per month, and shall be paid upon recall.
- On July 30, 2014 and September 2, 2014, Captiva loaned the Company \$33,000, and \$30,000 respectively. All loans bear interest at 10% per annum, compounded monthly and repayable after two years.
- In September 2014, the Company received two loans total \$116,010 (US \$100,000) from an independent shareholder. Both loans bear interest of 10% per annum, compounded monthly and repayable on February 25, 2015 and as at the date of this MD&A, the Company is currently negotiating an extension of the maturity date.
- On December 1, 2014, \$11,949 (US\$10,300) was loaned to the Company by a director. Under the terms of the loan agreement, the loan bears interest at 10% per annum, compounded monthly and repayable on February 28, 2015
- On November 29, 2014, December 22, 2014 and December 29, 2014, two directors of the Company, loaned the Company \$11,500, \$11,949 (US\$10,300), \$3,500 and \$5,086 (US\$4,500), respectively. Under the terms of the loan agreements, these loans bear interest of 1% per month, and shall be paid upon demand. On November 19, 2014, the CEO loaned the Company \$12,000. The loan bears interest at 10% per annum and was repayable on November 19, 2016.
- On September 12, 2014, the Company issued 684,000 units to settle debt of \$1,094,400 (US \$1,000,000) to Alterra in connection with the acquisition of the remaining interest of AG Solar. Each unit is comprised of one common share and one non-transferable common share purchase warrant, at a deemed price of \$1.60 per unit for total of \$1,094,000 of which \$821,464 was allocated to common shares and \$272,936 to share purchase warrants based upon the relative fair values. Each warrant will entitle Alterra to purchase one common share of the Company at a price of \$2.00 per share for a period of 5 years from the date of issuance. The securities issued in connection with the transaction was issued pursuant to certain prospectus and registration exemptions available under applicable securities legislation and will be subject to a hold period of four months and a day from the date of issuance.

Financing activities for the year ended December 31, 2013 were as follows:

- On December 12, 2013, the Company closed a portion of the non-brokered private placement offering of 2,800,000 Units. The Company issued 80,000 units at a price of \$2.50 per unit for total gross proceeds of \$200,000 of which \$185,679 was allocated to common shares and \$14,321 to share purchase warrants based upon the relative fair values. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional share in the capital of the Company at a price of \$3.00 for a period of 24 months from the date the warrants were issued. Total share issuance costs relating to the non-brokered private placement amounted to \$4,650 of which \$4,317 was allocated to common shares and \$333 to share purchase warrants based upon the relative fair values.
- On November 1, 2013, the Company entered into a loan agreement with a director of the Company, for \$232,020 (US \$200,000). Under the terms of the loan agreement, the loan bears interest at 10% per annum, compounded monthly and repayable on February 28, 2014. During the nine months ended September 30, 2014, the loan was extended to February 28, 2015 and as at the date of this MD&A, the Company is currently negotiating an extension of the maturity date.
- On October 24, 2013, the Company completed a non-brokered private placement offering of 111,000 units (the "units") at a price of \$2.70 per unit for total gross proceeds of \$299,700 of which \$274,755 was allocated to common shares and \$24,945 to the share purchase warrants based upon the relative fair values. Each unit was comprised of one common share and one half of one share purchase warrant. Each whole warrant entitles the holder to acquire one additional share in the capital of the Company at a price of \$3.00 for a period of 24 months from the date the warrants were issued. The Company paid PI Financial Corp. ("PI") a finder's fee of cash commission equal to 6% of the proceeds by certain investors and 2,220 finder's warrants (the "Finder's Warrants") entitling PI to acquire up to 2,220 common shares in the capital of the Company at a price of \$3.00 per share for a period of 24 months from the date that the Finder's Warrants were issued. Total share issuance costs relating to the non-brokered private placement amounted to \$16,780 of which \$15,384 was allocated to common shares and \$1,396 to share purchase warrants based upon the relative fair values.

- On August 1, 2013, the Company entered into a loan agreement for US \$500,000 with the spouse of the Company's CEO ("Initial Loan"). The loan bears interest at 10% per annum and is repayable on March 20, 2014. In addition, the Company entered into a loan agreement with the CEO of the Company for \$100,000 under the same terms as the Initial Loan ("Secondary Loan"). Any non-reimbursable expenses incurred by the CEO on the Company's corporate credit card may be offset against the Secondary Loan. In the year ended December 31, 2014, both the Initial Loan and the Secondary Loan have been extended to March 20, 2016.

As in many development stage companies, actual future funding requirements may vary from those planned due to a number of factors, including the progress of development activity and foreign exchange fluctuations. The nature of the Company's business is the acquisition, management, development, and possible sale of all types of real estate. The Company has been successful to date in acquiring its first property and is currently redesigning that property. The Company is also developing real estate that will support 100 MW's of solar generation capacity in Puerto Rico and 80 MW's of wind generation in Utah. 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. Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Historically the capital requirements of the Company have been met by equity subscriptions and loans from related parties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable. If the Company is unable to raise any additional funds it may require, it could have a material adverse effect on its financial condition

#### OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off balance sheet arrangements.

#### TRANSACTIONS WITH RELATED PARTIES

In addition to related party loans outlined in the Liquidity and Capital Resources section, the Company had the following related party transactions:

The following expenses were paid to key management personnel of the Company:

	Year Ended December 31,	
	2014	2013
	\$	\$
Salaries & wages	61,150	33,150
Share-based compensation	488,250	356,936
Management fees	70,430	-
<b>Total</b>	<b>619,830</b>	<b>390,086</b>

On July 1, 2014, the Company entered into a consulting contract with the President of the Company. The agreement provides for an annual fee of US \$120,000 in which the President will lead all the wind and solar development in obtaining permitting, environmental compliance and raising of capital to construct the renewable energy facilities ("Annual Fee"). In addition, the Company agrees to reimburse all reasonable expense incurred related to office expenses, daily travel per diem, mileage expense and health and life insurance premium expense. Further, upon the Company closing certain development milestones allowing for an equity raise of at least US \$2 Million or the sale of any Company assets or project rights including the Tehachapi land whichever comes first, the agreement provides for a one-time payment of US \$250,000 in recognition of the President's unpaid work in support of the Company's projects since March 2013. Lastly, the President will be paid a US \$3 Million development completion bonus at the time the Montalva Solar Project completes all key milestones necessary for the Company to obtain project financing for the Montalva Solar Project. As at December 31, 2014, included in accounts payable are fees and expenses due to the President of \$96,852 of which, at the date of this MD&A, US \$30,000 has been paid.

## CONTINGENCY AND CONTRACTUAL OBLIGATIONS

The Company and its subsidiaries enter into contractual agreements from time to time relating to the on-going business activities. As at December 31, 2014, the Company has the following total commitments:

	Within 1 year	2 – 3 Years	Over 3 years	Total
Puerto Rico land lease (i)	198,377	221,579	125,291	<b>545,247</b>
Utah land option (ii)	69,606	-	-	<b>69,606</b>
Consultant bonus (iii)	290,025	-	-	<b>290,025</b>
PBJL share transfer (iv)	580,050	-	-	<b>580,050</b>
<b>Total</b>	<b>1,138,058</b>	<b>221,579</b>	<b>125,291</b>	<b>1,484,928</b>

- (i) The Company entered into four separate land options agreements with Jose Arturo Acosta, leasing a total of 1,590 acres of land in the Municipality of Lajas and Guanica of Puerto Rico. The Company made initial payments on the execution date of each options agreement and will thereafter pay advances for each successive four-month period during the option terms. The annual rent will be revised once the land area needed for the energy facility is determined and will have an initial term of twenty-five years with an extension of four consecutive periods of five years each. As at December 31, 2014, the Company capitalized \$266,823 (US \$230,000) in land costs under the Puerto Rico project.
- (ii) The second amended Rezek Option Agreement signed September 23, 2014, allows the Company to extend its land purchase option in San Juan County, State of Utah for the Blue Mountain project. The first of four extension payments of US \$30,000 was paid on September 30, 2014. The second and third extension payments of US \$15,000 each are due November 24, 2014 and November 30, 2014 respectively. The final extension payment of US \$30,000 is due May 31, 2015.
- (iii) The Company agreed to pay the President a one-time consultant bonus of US \$250,000 (see *Transactions with Related Parties*).
- (iv) On April 23, 2013, 330 common shares, approximately 33% interest, of PBJL were transferred between the spouse of an officer to AG Solar and the Company. The Company will be required to pay a total of US \$500,000 for these shares on terms yet to be negotiated.

## **RISKS & UNCERTAINTIES**

### *Credit, Liquidity, Interest, Currency and Commodity Price Risk*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. As at December 31, 2014, the Company's financial instruments consist of cash, interest receivable, deposits, accounts payable, accrued liabilities, accrued interest, and loans payable. Cash is reported at fair value. The other amounts reflected in the balance sheet approximate their fair values due to their short-term nature.

The Company does not use derivative instruments or hedges to manage risks because the Company's exposure to credit risk, interest rate risk and currency risk is small.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk through its cash, which is held in a large Canadian financial institution with an issuer credit rating of A-1 by Standard & Poor's. The Company believes this credit risk is insignificant.

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 and deposits; however, management does not believe this exposure is significant.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. In order to meet its financial obligations, the Company will need to generate cash flow from the sale or otherwise disposition of property or raise additional funds.

Cash is stated at amounts compatible with those prevailing in the market, are highly liquid, and are maintained with prime financial institutions for high liquidity.

### *Real Property Ownership*

All real property investments are subject to elements of risk such investments are affected by general economic conditions, local real estate markets, the attractiveness of the properties to residents, supply and demand for housing, competition from other available housing and various other factors. Demand for residential real estate in the United States could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of units in a particular market. To the extent that any of these conditions occur, they are likely to affect market value for residential building lots, which could cause a decrease in the Company's future potential sales revenue from the Property.

### *No History of Revenue*

To date the Company has relied entirely upon the sale of common shares and the exercising of warrants to provide working capital to fund its administration, overhead costs and project development. There is no guarantee that the Company will enter into profitable agreements and earn revenue from operations. The Company has not commenced commercial production and the Company has no history or earnings or cash flow from its operations. Thus, there can be no assurance that the Company will be able to develop any value or that its activities will generate positive cash flow. The Company has not paid any dividends and it is unlikely to generate earnings or pay dividends in the immediate or foreseeable future. The Company has limited cash and other assets. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of the Company's management in all aspects of the development and implementation of the Company's business activities.

### *Market Price of the Common Shares*

The Common Shares are listed and posted for trading on the TSXV. The Company's business is in an early stage of development and an investment in the Company's securities is highly speculative. There can be no assurance that an active trading market in the Company's securities will be established and maintained. Securities of companies involved in the renewable energy industry have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. The price of the Common Shares is also likely to be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations as reflected in its quarterly earnings reports.

### *Current Global Financial Conditions*

Recent events in global financial markets, including sovereign debt crises, have had a profound impact on the global economy and global financial conditions have been subject to volatility. Many industries, including the renewable energy sector, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets and a lack of market liquidity. A continuing slowdown in financial markets or other economic conditions, including, but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's business, financial condition, results of operations and ability to grow.

### *Competition*

The renewable energy development industry is highly competitive. The Company competes with other domestic and international power development companies that have greater financial, human and technical resources.

The Company's competitors may be able to respond more quickly to new laws or regulations or emerging technologies, or devote greater resources to the expansion or efficiency of their operations than the Company. In addition, current and potential competitors may make strategic acquisitions or establish cooperative relationships among themselves or with third parties. Accordingly, it is possible that new competitors or alliances among current and new competitors may emerge and gain significant market share to the Company's detriment. The Company may also encounter increasing competition from other renewable energy companies in the Company's efforts to hire experienced professionals. Increased competition could adversely affect the Company's ability to attract necessary capital funding, to acquire it on acceptable terms, or to acquire suitable properties or prospects for development in the future. As a result of this competition, the Company may not be able to compete successfully against current and future competitors, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Furthermore, there is no assurance that a ready market will exist for the sale of renewable energy. Factors beyond the control of the Company may affect the marketability of electrical power in existing markets. These factors include market fluctuations, the proximity and capacity of renewable power markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its investment capital.

### *Risks related to International Activities*

A material portion of the business of the Company is in Puerto Rico. The Company's operations may be adversely affected by political or economic developments or social instability, which will not be within the Company's control, including, among other things, the risks of political unrest, labour disputes and unrest, war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions, contracts and permits, government regulation, delays in obtaining or renewing or the inability to obtain or renew necessary permits, taxation policies, economic sanctions, fluctuating exchange rates, currency controls, Puerto Rico's creditworthiness, high rates of inflation, limitations on foreign ownership and increased financing costs. The occurrence of any such events could have a material adverse effect on the Company's business and results of operations as currently contemplated.

### *Risks Associated with Joint Venture Agreements*

Pursuant to the Company's joint venture agreements, the Company's interest in its properties may become subject to the risks normally associated with the conduct of joint ventures. In the event that any of the Company's properties become subject to a joint venture, the existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on the Company's profitability or the viability of its interests held through joint ventures. This could have a material adverse impact on the Company's business prospects, results of operations and financial condition as follows: (i) disagreements with joint venture partners on how to conduct exploration; (ii) inability of joint venture partners to meet their obligations to the joint venture or third parties; and (iii) disputes or litigation between joint venture partners regarding budgets, development activities, reporting requirements and other joint venture matters.

### *Reliance on Key Individuals*

The Company's success depends on its ability to attract and retain the services of key personnel who are qualified and experienced. In particular, the success of the Company is, and will continue to be to a significant extent, dependent on the expertise and experience of the Company's directors and senior management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of these individuals could have a material adverse effect on the Company. The renewable energy industry is largely driven by prevailing electrical power prices and tax incentives which, when high, can lead to a large number of projects being developed which in turn increases the demand for skilled personnel, contractors, material and supplies. Accordingly, there is a risk to the Company of losing or being unable to secure enough suitable key personnel or key resources and, as a result, being exposed to increased capital and operating costs and delays, which may in turn adversely affect the development of the Company's projects, the results of operations and the Company's financial condition and prospectus.

### *Project Risk*

- *Availability of tax credits (Blue Mountain)*
- *Interest rates at time of project financing*
- *Tax equity investor market and pricing*
- *Uncertain financial markets and sponsor equity requirements*
- *Credit rating of off-takers (PREPA)*
- *Escalation of equipment cost such a wind turbines and solar panels*
- *Escalation of EPC cost*
- *Availability and timely delivery of key equipment*
- *Timely completion of interconnection by the transmission provider*
- *Weather related and force majeure events*
- *REC market pricing to be negotiate (PREPA)*
- *Eagle conservation costs and requirements*

### **CRITICAL ACCOUNTING JUDGEMENTS & ESTIMATES**

The preparation of the 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 reporting 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.

A detailed summary of all of the Company's significant accounting policies is included in Note 3 to the audited consolidated financial statements for the year ended December 31, 2014.

Areas that often require significant management estimates and judgment include share-based compensation, warrants, going concern assessment, accruals, provisions, and determination of the functional currency and income tax provisions. The following is an outline of the estimates that the Company considers as critical in the preparation of its financial statements:

- (a) The Company has recorded stock-based compensation using the *Black-Scholes Pricing Model*, which requires an assumption of the risk-free rate, expected lives of the stock options, forfeiture rates, and their related volatilities.
- (b) The Company has recorded warrants using the *Black-Scholes Pricing Model*, which requires an assumption of the risk-free rate, expected lives of the warrants, and their related volatilities.
- (c) Future income tax assets are recognized to the extent it is more likely than not they will be realized.

### **RECENT ACCOUNTING PRONOUNCEMENTS**

The adoption of the new and revised standards, amendments and interpretations issued by the IASB effective for periods beginning on or after January 1, 2014 has not had a material impact on the accounting policies, methods of computation or presentation applied by the Company.

Additional new or amended accounting standards that have been previously issued by the IASB but are not yet effective, and have not been applied by the Company, are as follows:

#### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9") to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking "expected loss" impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

### *IFRS 15, Revenue Recognition*

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions involving Advertising Services. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

### **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management assessed the effectiveness of the Company's internal controls over financial reporting for the year ended December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control - Integrated Framework. Based on this assessment, management believed that, as of December 31, 2014, our internal controls over financial reporting were effective based on those criteria.

No changes in the Company's internal controls, or other factors that have materially affected, or are reasonably likely to materially affect these controls, have occurred during the period ended December 31, 2014.

### **LIMITATIONS OF CONTROLS AND PROCEDURES**

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, believe that any system of controls and procedures over financial reporting and disclosure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

### **OTHER MD&A REQUIREMENTS**

#### ***Capital Stock***

The Company has an unlimited number of common shares authorized with 12,456,305 outstanding on December 31, 2014 and 12,670,227 as of the date of this MD&A.

As at December 31, 2014, options to purchase 1,185,695 common shares and warrants to purchase 896,720 common shares were outstanding. As of the date of this MD&A, options to purchase 1,176,773 common shares and warrants to purchase 999,220 common shares were outstanding.

#### ***Total Number of Shares in Escrow or Subject to Pooling Agreement***

All shares previously held in escrow, pursuant to an escrow agreement dated June 15, 2009, have been released as at December 31, 2014. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **ADVISORY ON FORWARD-LOOKING INFORMATION**

This Management's Discussion and Analysis contains certain forward-looking statements, including statements regarding the business and anticipated future financial performance of the Company, which involve risks and uncertainties. These risks and uncertainties may cause the Company's actual results to differ materially from those contemplated by the forward-looking statements. Factors that might cause or contribute to such differences include, among others, market price, continued availability of capital financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and those actual results or developments may differ materially from those projected in the forward-looking statements. Investors are also directed to consider other risks and uncertainties discussed in the Company's required financial statements and filings.

Forward-looking statements in this Management's Discussion and Analysis include references to:

- Management's Development Strategy including estimated timelines, marketing efforts and sales targets and timing.