



Greenbriar
CAPITAL CORP.

Condensed Consolidated

Interim Financial Statements

For the Three and Six Months Ended June 30, 2016

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PREPARED BY MANAGEMENT

The accompanying condensed consolidated interim financial statements of Greenbriar Capital Corp., comprised of the Statement of Financial Position as at June 30, 2016 and the Statements of Loss and Comprehensive Income (Loss), Statements of Cash Flows and Statements of Changes in Equity for the three and six months ended June 30, 2016 and 2015 are the responsibility of the Company's management. The independent external auditors of the Company have not reviewed these financial statements.

Greenbriar Capital Corp.

June 30, 2016

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GREENBRIAR CAPITAL CORP
Condensed Consolidated Interim Statements of Loss
and Comprehensive Income (Loss)

(Expressed in Canadian dollars, except share amounts)
(Unaudited)

| | Notes | Three months ended June 30 | | Six months ended June 30 | |
|--|-------|----------------------------|------------------|--------------------------|------------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Expenses | | | | | |
| Audit and tax | | - | 2,792 | (4,857) | 20,567 |
| Bank charges | | 968 | 1,494 | 2,310 | 2,374 |
| Consultant | | 88,910 | 38,740 | 141,188 | 76,932 |
| Finance Cost | | 5,640 | 4,115 | 13,466 | 6,618 |
| Foreign exchange (gain) loss | | 13,997 | (39,536) | (199,512) | 192,620 |
| Interest Expense | | 8,422 | 8,010 | 17,032 | 15,172 |
| Legal | | 1,298 | 979 | 4,240 | 2,705 |
| Office | | 4,601 | 1,671 | 5,136 | 6,082 |
| Public company | | 4,518 | 6,480 | 14,031 | 14,503 |
| Salaries | | - | 38,975 | - | 81,175 |
| Travel | | 12,502 | 6,419 | 19,096 | 13,477 |
| | | 140,856 | 70,139 | 12,129 | # 432,225 |
| Other Income (Expenses) | | | | | |
| Interest income | | 4,824 | 4,365 | 9,529 | 8,370 |
| Share of loss of joint venture | 5 | (5,410) | (6,030) | (11,597) | (13,796) |
| Net income (loss) | | (141,442) | (71,804) | (14,197) | (437,651) |
| Other comprehensive loss | | | | | |
| Currency translation adjustment | | 13,958 | (118,443) | (283,118) | 207,313 |
| Comprehensive income (loss) | | 127,484 | (190,247) | (297,315) | (230,338) |
| Basic and diluted income (loss) per common share | 11 | (0.01) | (0.01) | (0.03) | (0.03) |
| Weighted average number of common shares outstanding - basic and diluted | | 13,824,227 | 12,464,149 | 11,640,205 | 12,528,352 |

GREENBRIAR CAPITAL CORP

Condensed Consolidated Interim Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

| | Notes | As at June 30, | As at December 31, |
|--|--------------|-----------------------|---------------------------|
| | | 2016 | 2015 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | (292) | 3,903 |
| Deposits & Prepays | 4 | 169,770 | 37,969 |
| GST receivable & other | | 5,290 | 3,593 |
| | | 174,768 | 45,465 |
| Deposits & Prepays | 4 | 97,568 | 244,950 |
| Investment and advances | 5 | 3,243,844 | 3,273,881 |
| Interest receivable | 4 | 62,983 | 53,454 |
| Leased land | 6 | 1,456,267 | 1,538,356 |
| Power project development and construction costs | 7 | 1,830,758 | 1,644,549 |
| Intangible assets | 8 | 1,626,125 | 1,730,000 |
| | | 8,492,313 | 8,530,655 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 9 | 3,314,369 | 3,295,118 |
| Accrued interest | | 366,074 | 315,122 |
| Accrued liabilities | | 191,750 | 200,731 |
| Loans payable | 10 | 1,171,975 | 1,304,319 |
| | | 5,044,168 | 5,115,290 |
| Non-current liabilities | | | |
| Loans payable | 10 | 60,000 | 72,804 |
| | | 5,104,168 | 5,188,094 |
| Shareholders' equity | | | |
| Share capital | 11 | 5,013,059 | 4,899,388 |
| Share-based compensation reserve | 11 | 1,237,827 | 1,237,827 |
| Warrants reserve | 11 | 789,612 | 560,385 |
| Accumulated other comprehensive loss | | 673,704 | 956,822 |
| Accumulated deficit | | (4,326,058) | (4,311,861) |
| | | 3,388,145 | 3,342,561 |
| | | 8,492,313 | 8,530,655 |

Nature of business and continuing operations (Note 1)

Commitments and contingencies (Note 16)

Approved by the Directors on August 3, 2016

/s/ Jeff Ciachurski

Jeffrey Ciachurski, Director

/s/ John Wardlow

John Wardlow, Director

GREENBRIAR CAPITAL CORP

Condensed Consolidated Interim Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

| | Notes | Three months ended June 30 | | Six months ended June 30 | |
|--|-------|----------------------------|-----------|--------------------------|-----------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$ | \$ | \$ | \$ |
| Operating activities | | | | | |
| Net income | | (141,442) | (71,804) | (14,197) | (437,651) |
| Item not involving cash | | | | | |
| Foreign exchange unrealized | | 19,419 | (71,468) | (197,119) | (114,286) |
| | | (122,023) | (143,272) | (211,316) | (551,937) |
| Change in non-cash working capital | | | | | |
| Accounts payable | | 175,654 | 65,684 | 206,574 | 366,587 |
| Accrued interest | | 34,386 | 35,979 | 65,919 | 73,412 |
| Accrued liabilities | | (10,000) | (10,451) | (7,783) | 40,959 |
| GST receivable and other | | (208) | (520) | (1,697) | 2,788 |
| Interest receivable | | (4,824) | (4,365) | (9,529) | (8,370) |
| | | 72,985 | (56,945) | 42,169 | (76,561) |
| Investing activities | | | | | |
| Investment and advances | | (9,021) | (51,011) | (19,271) | (93,092) |
| Leased land | | (5,140) | - | (10,265) | - |
| Deposit | 4 | (15,611) | 22,738 | 10,127 | (15,311) |
| Power project development and construction costs | 7 | (243,783) | (89,897) | (285,391) | (167,542) |
| | | (273,555) | (118,170) | (304,799) | (275,945) |
| Financing activities | | | | | |
| Loans payable | | - | (65,612) | (84,464) | 104,444 |
| Shares issued for cash, net of issuance costs | 11 | 198,598 | 239,792 | 342,899 | 244,878 |
| | | 198,598 | 174,180 | 258,436 | 349,322 |
| Net cash outflow | | (1,972) | (935) | (4,195) | (3,184) |
| Cash position, beginning of period | | 1,680 | 935 | 3,903 | 3,184 |
| Cash position, end of period | | (292) | - | (292) | - |

GREENBRIAR CAPITAL CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian dollars)

(Unaudited)

| | Common shares | | Share-based compensation reserve | | Warrants reserve | | Accumulated other comprehensive | Accumulated | Total |
|---|-------------------|------------------|----------------------------------|------------------|------------------|----------------|---------------------------------|--------------------|----------------------|
| | Number | Amount | Number | Amount | Number | Amount | income (loss) | deficit | shareholders' equity |
| | # | \$ | # | \$ | # | \$ | \$ | \$ | \$ |
| Exercise of options at \$0.57 | 8,922 | 9,062 | (8,922) | (3,976) | - | - | - | - | 5,086 |
| Private placement of 205,000 shares at a price of \$1.50 per common share, plus half warrant with whole warrant convertible into a new share at \$1.75, net of issuance costs of \$67,708 (Note 13(b)) | 205,000 | 147,184 | | | 102,500 | 92,608 | | | 239,792 |
| Currency translation for adjustment | - | - | - | - | - | - | 207,313 | - | 207,313 |
| Net loss for the year | - | - | - | - | - | - | - | (437,651) | (437,651) |
| Share-based compensation | - | - | - | - | - | - | - | - | - |
| Balance as at June 30, 2015 | 12,670,227 | 4,537,891 | 1,176,773 | 1,237,827 | 999,220 | 442,491 | 510,446 | (3,634,038) | 3,094,617 |
| Expired Warrants | | 24,636 | | | (57,720) | (24,636) | | | 0 |
| Private placement of 404,000 shares at a price of \$1.50 per common share, plus half warrant with whole warrant convertible into a new share at \$1.75, plus finders fee shares 50,000, net of issuance costs of \$126,767 (Note 13(b)) | 454,000 | 336,703 | | | 202,000 | 142,530 | | | 479,233 |
| Expiry of Options | | | | (325,000) | | | | | - |
| Share Issuance Costs - TSX and Troutman Sanders | | 158 | | | | | | | 158 |
| Currency translation for adjustment | - | - | - | - | - | - | 446,376 | - | 446,376 |
| Net loss for the year | - | - | - | - | - | - | - | (677,823) | (677,823) |
| Share-based compensation | - | - | - | - | - | - | - | - | - |
| Balance as at December 31, 2015 | 13,124,227 | 4,899,388 | 851,773 | 1,237,827 | 1,143,500 | 560,385 | 956,822 | (4,311,861) | 3,342,561 |
| Share Issuance Costs - Thomas Rondeau LLP | | (7,100) | | | | | | | (7,100) |
| Private placement of 700,000 shares at a price of \$0.50 per common share, plus half warrant with whole warrant convertible into a new share at \$0.60, plus finders fee shares 50,000, net of issuance costs of \$126,767 (Note 13(b)) | 700,000 | 68,461 | | | 700,000 | 281,537 | | | 349,998 |
| Expired Warrants | | 52,310 | | | (155,000) | (52,310) | | | |
| Currency translation for adjustment | - | - | - | - | - | - | (283,118) | - | (283,118) |
| Net income for the year | - | - | - | - | - | - | - | (14,197) | (14,197) |
| Balance as at June 30, 2016 | 13,824,227 | 5,013,059 | 851,773 | 1,237,827 | 1,688,500 | 789,612 | 673,704 | (4,326,058) | 3,388,145 |

See accompanying notes to the consolidated financial statements.

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

1) Nature of business and continuing operations

Greenbriar Capital Corp. ("Greenbriar" or "the Company") is a developer of renewable energy and sustainable real estate projects.

Greenbriar was incorporated under the British Columbia Business Corporations Act on April 2, 2009 and is a real estate issuer on the TSX Venture Exchange. The Company's registered records office is located at suite 1780 – 400 Burrard Street, Vancouver, BC, V6C 3A6. 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 primary business is the acquisition, management, development, and possible sale of real estate and renewable energy projects. The Company has acquired its first property and investments in other property projects, 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 earnings or revenues. As at June 30, 2016, the Company has a negative cash balance of \$292 (December 31, 2015 – positive cash balance of \$3,903) had a significant working capital deficiency of \$4,869,400 (December 31, 2015 - \$5,069,825), an accumulated deficit of \$4,326,058 (December 31, 2015 – \$4,311,861) and incurred a net loss of \$141,442 and \$14,197 for the three and six months ended respectively (three and six months ended June 30, 2015 - \$71,804 and \$437,651 respectively).

2) Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value as described in the significant accounting policies outlined in the December 31, 2015 consolidated financial statements

Since the condensed consolidated interim financial statements do not include all disclosures required by the IFRS for annual financial statements, they should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2015.

These financial statements were authorised for issue by the Board of Directors on August 3, 2016.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2015.

Significant judgements and estimates

The preparation of these condensed consolidated interim 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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods. The critical judgements and estimates applied in the preparation of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2016 are consistent with those applied and disclosed in Note 3 to the Company's consolidated financial statements for the year ended December 31, 2015.

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

3) Significant accounting policies

The Company is currently assessing the potential impacts of these new standards on its condensed consolidated interim financial statements.

IFRS 2 Share based payment

On June 20, 2016, the IASB published final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including; (a) accounting for cash-settled share-based payment transactions that include a performance condition, (b) classification of share-based payment transactions with net settlement features, as well as (c) accounting for modifications of share-based payment transactions from cash-settled to equity. These changes are effective for annual periods beginning on or after January 1, 2018.

IAS 7 Statement of Cash Flows

The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements. These amendments are mandatory for annual periods beginning on or after January 1, 2017.

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.

IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses

The International Accounting Standards Board (IASB) published amendments to IAS 12 on January 19, 2016. The amendments, *Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments to IAS 12), clarify how to account for deferred tax assets (DTAs) related to debt instruments measured at fair value. Only four paragraphs (including one on commencement) have been added or amended in the Standard itself but there are several pages added to the Basis for Conclusions. The revisions apply for periods beginning on or after January 1, 2017, with early adoption permitted.

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. On July 22, 2015, the IASB confirmed a one year deferral of the effective date of IFRS 15, therefore the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 *Leases* ("IFRS 16"), which will replace IAS 17 *Leases*. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 *Revenue from Contracts with Customers* at or before the date of initial adoption of IFRS 16.

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

4) Deposit & Prepaids

| | June 30 2016 | December 31 2015 |
|-----------------------------------|------------------|---------------------|
| | \$ | \$ |
| Land Authority of Puerto Rico (i) | 97,568 | 103,800 |
| Leidos Engineering (ii) | - | 13,840 |
| Green Matters (iii) | 141,150 | 141,150 |
| Others & prepaids | 28,620 | 24,129 |
| | 267,338 | 282,919 |
| Less: Current portion | (169,770) | (37,969) |
| Deposits, non-current | 97,568 | 244,950 |

- (i) On January 6, 2014, the Company made a deposit with the Land Authority of Puerto Rico which granted the Company a permit to enter the premises and conduct field studies and surveying, environmental studies, design, financial viability and to establish an easement for a transmission line on farm land located in the municipality district of Guanica, Puerto Rico. The permit deposit of US \$12,000 was credited to the security deposit on the transmission line easement.

On April 14, 2014, the Company entered into an agreement with the Land Authority of Puerto Rico to lease an additional 51 acres of land for the construction of an interconnection transmission line in Puerto Rico. The lease agreement provides a term of thirty years. The Company paid a security deposit of US \$63,000, with a credit of US \$12,000 from a permit deposit. The total deposit of US \$75,000 will be refunded if construction occurs within three years of the agreement execution date.

- (ii) On October 31, 2013, the Company made an advanced payment to Leidos Engineering, LLC to provide independent engineering services that will allow the Company to advance its project development in Puerto Rico under the minimum technical requirements set forth by the Puerto Rico Electric Power Authority ("PREPA"). Subsequent to December 31, 2015, the Company terminated the independent engineering services agreement and the deposit was refunded to the Company.
- (iii) The Company entered into an installation agreement dated July 12, 2012 with the San Juan Marriott Hotel in San Juan, Puerto Rico ("Installation agreement") to purchase and install a 300 ton heat recovery unit for \$510,408 payable at completion. On July 12, 2012, the Company made a deposit to I.M.W. Industries of \$141,150 for the purchase of the heat recovery unit. On August 24, 2012, the Company entered into an agreement to have Green Matters Inc. ("Green Matters") take over the installation agreement. The Company had approved a loan facility to Green Matters for \$141,150 plus interest of 10% per annum due August 23, 2013. This loan has been extended to February 22, 2015 and will continue to bear interest at 10% per annum until the loan is paid.

On March 11, 2016, the Company entered into a Letter of Intent ("LOI") with Green Matters, Captiva Verde Industries Inc., Energy Recovery Systems Inc. ("ERS") and Jeff Ciachurski, CEO of the Company whereby, as part of a transaction between ERS and Green Matters, the Company will enter into a secured loan agreement with Green Matters for the repayment of the outstanding debt. The definitive terms and agreement are currently being negotiated.

5) Investment and advances

Included in investment and advances as at June 30, 2016 is the Company's interest in Blue Mountain Wind Holdings, LLC ("Blue Mountain").

As at June 30, 2016

| | Blue Mountain |
|--------------------------------|------------------|
| | \$ |
| Initial contribution | 730,863 |
| Foreign Exchange | 88,704 |
| Funds advanced | 2,435,874 |
| Share of loss of joint venture | (11,597) |
| Total investment and advances | 3,243,844 |

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

As at December 31, 2015

| | Total |
|--------------------------------|------------------|
| | \$ |
| Initial contribution | 730,863 |
| Foreign Exchange | 141,057 |
| Funds advanced | 2,428,178 |
| Share of loss of joint venture | (26,217) |
| Total investment and advances | 3,273,881 |

Blue Mountain

On August 2, 2013, the Company, through its wholly owned subsidiary, Greenbriar Capital Holdco Inc., completed its acquisition agreement of the 80 MW Blue Mountain, Utah Wind Energy Project, USA ("Blue Mountain"). Blue Mountain had obtained a twenty-year Power Purchase Agreement ("PPA") with PacifiCorp, a subsidiary of Mid-American Energy Holdings Company. The acquisition granted the Company a 50% interest and then allows the Company to perform two milestones, increasing its ownership to 100%. The Company paid US \$630,000 for the initial 50% ownership, which was financed by way of a related party loan (Note 10 (iv)).

On May 5, 2014, the Company entered into a Qualifying Facility for a Large Generator Interconnection Agreement ("QLGIA") with PacifiCorp, the transmission provider. PacifiCorp shall design, procure, and construct the interconnection facilities and provide network upgrades for the Blue Mountain project. 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 May 14, 2014, the Company requested suspension of the QFLGIA and was granted the requested suspension by PacifiCorp for a period of up to three years. The suspension of the QFLGIA can be cancelled at any time by giving notice to PacifiCorp without penalty.

The Company and PacifiCorp are currently in dispute with respect to the application of Force Majeure that the Company has declared as a third party has raised issue with the Company's PPA to the Federal Energy Regulatory Commission ("FERC"). Both the Company and PacifiCorp entered into settlement discussions under the PPA dispute resolution process to renegotiate dates, prices and obligations contained in the PPA and the Interconnection Agreement to better reflect current market conditions that had lapsed while the PPA was disputed for almost eight months initially and now through FERC. A mediation occurred on August 11, 2015, and the parties were unable to resolve their ongoing disputes. On August 13, 2015, the mediator did recommend an award of US \$4.4 million monetary damages for the benefit of the Company, but since the mediation is non-binding and PacifiCorp did not proceed with the mediators' advice, the mediation was terminated. On August 18, 2015, the Company received a letter from PacifiCorp affirming termination of the PPA for reasons stated therein and the termination of settlement discussions. The mediation has thus terminated without reaching agreement and the Company is free to seek resolution in the courts or with regulatory agencies.

On September 14, 2015, the Company filed a complaint with the Division of Public Utilities of the Utah Public Service Commission against PacifiCorp and followed with notice of filing a formal complaint with the full Commission. Pending the outcome with the Division of Public Utilities, the Company can either formalize its formal complaint with the full Commission or seek damages in the courts. The Company is unable to predict, based on either of these courses of action, whether it will be granted PPA revisions with acceptable terms or that it will be awarded damages against PacifiCorp.

For the six months ended June 30, 2016, the Company had advanced funds to Blue Mountain of \$30,868 (December 31, 2015 - \$147,859) for environmental and wind resource assessments, consulting, interest and legal services. Blue Mountain had a net loss for the six months ended June 30, 2016 of \$23,194 (June 30, 2015 - \$27,592) in which the Company accounted for 50% of its shared loss of \$11,597 (June 30, 2015 - \$13,796).

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

6) Land

The Company owns 161 acres of land in Tehachapi, California, USA, (the "Property") which it acquired in 2011 for US \$1,040,000. On March 24, 2014, the land was appraised at US\$3,410,000.

On October 10, 2014, the Company listed both site 1 and site 2 for US \$2.4 Million with Berkshire Hathaway Home Services ("Berkshire"). Upon sale, Berkshire will charge a commission of 10%. The sale price for the land was reduced to \$1.4 million in the first six months of 2015. In September 2015, the Company delisted the property due to renewed interest in the land for possible development for agricultural purposes.

The Company's land consists of the following:

| | June 30 2016 | December 31 2015 |
|-------------------------------|------------------|---------------------|
| | \$ | \$ |
| Land acquisition | 1,352,936 | 1,439,360 |
| Property taxes | 85,806 | 80,351 |
| Land development | 5,087 | 5,412 |
| Land appraisal & related fees | 12,438 | 13,233 |
| | 1,456,267 | 1,538,356 |

The unrealized foreign exchange translation loss for the three and six months ended June 30, 2016 was \$5,428 and \$89,990 respectively (for the year ended December 31, 2015 unrealized foreign exchange translation gain – \$250,160).

7) Power project development and construction costs

| | June 30 2016 | December 31 2015 |
|-----------------------------|------------------|---------------------|
| | \$ | \$ |
| Opening balance | 1,644,549 | 1,034,910 |
| Additions | 285,391 | 409,900 |
| Foreign exchange unrealized | (99,182) | 199,739 |
| Ending balance | 1,830,758 | 1,644,549 |

In April 2013, the Company entered into a 50/50 arrangement, AG Solar with Alterra Power Corp ("Alterra") (the "Arrangement"). The Arrangement was created to develop 100 Megawatts ("MW's") of solar generation capacity in Puerto Rico under a Master Renewable Power Purchasing and Operating Agreement ("PPOA"), dated December 20, 2011, and amended on March 16, 2012 (the "Master Agreement"), with PREPA which the partnership through its wholly owned subsidiary, PBJL Energy Corporation, currently has rights to. On September 12, 2014, the Company acquired Alterra's 50% interest in AG Solar.

The Montalva and Lajas Farm Option Agreements, as outlined below, provide for a lease with a term of twenty-five years and may be extended for up to four additional consecutive periods of five years each, at the Company's option. In total the option agreements provide for a total of 1,590 acres for the construction and operation of a 100 MW AC solar photovoltaic electric generating facility ("Solar Facility").

The Company entered into a one-year option agreement dated September 9, 2013, which gives the Company the exclusive right and option to lease up to a 775 acre site in Puerto Rico (the "Montalva Option Agreement").

Upon execution of the Montalva Option Agreement, the Company paid US \$50,000. As of June 30, 2016, the Company paid \$220,000 in option payments for the extension of the lease and had several modifications to the original agreement with respect to payment terms and extensions. The Company negotiated a forbearance period extending to October 1, 2016, during which time no further payment will be required upon the payment of an additional \$50,000. On April 15, 2016, the Company paid the \$50,400 and the forbearance period is in effect and the Montalva Option Agreement continues to be applicable.

GREENBRIAR CAPITAL CORP.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2016 and 2015

(Expressed in Canadian dollars)

(Unaudited)

The Lajas Farm option agreement is comprised of three separate lease agreements. 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 ("Original Lajas Farm Option"). Upon execution of the option agreement, the Company paid US \$35,000 and is required to pay after the first year, an additional \$10,000 every four months. On January 1, 2014, the Company entered into two additional option agreements for five years each (the "Secondary Lajas Farm Option"), which gives the Company the exclusive right and option to lease up to a total of 654 additional acres in Lajas, 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 Company, the lessor has agreed to a deferral of payment from January 1, 2015 to December 1, 2015. Upon payment of an additional \$10,333, the Company has negotiated a forbearance period extending to October 1, 2016, during which time no further payment will be required. On April 15, 2016, the Company paid the \$10,333 and the forbearance period is in effect and the Lajas Farm Option Agreements are in good standing.

On September 11, 2013, the Company 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 was prepared for the project and a permit application was filed with the jurisdictional agency. The application was not accepted.

Under the terms of the Master Agreement, the Company filed its 100 MW AC Montalva Solar Project with PREPA on September 5, 2013, requesting an interconnection evaluation and issuance of a project specific PPOA for Montalva. After numerous delays by PREPA and failed attempts by the Company through emails and correspondence to PREPA requesting the interconnection evaluation and issuance of a project specific PPOA for Montalva, the Company filed a Notice of Default under the Master Agreement with PREPA on September 24, 2014. PREPA responded to the Notice of Default on November 3, 2014, taking the position that it had other PPOAs issued that would exceed its system renewable capacity and could not accept any additional renewable projects and further had met its obligations under the Master Agreement.

On May 15, 2015, the Company, filed a legal action against PREPA in the courts of Puerto Rico in order to protect and enforce its rights under the Master Agreement. As of the date of this report, the Company has been successful in a series of motions to be heard in October of 2016. The Company is confident the court will enforce the \$1.9 Billion agreement in favor of the Company or in the alternative, the Company is asking the court for \$210 million in monetary damages, however the ultimate outcome of the court action is unknown.

Included in the power project development and construction costs balance for AG Solar are costs related to environmental assessments and land lease option payments.

8) Intangible assets

| | June 30 2016 | December 31 2015 |
|-----------------------------|-----------------|---------------------|
| | \$ | \$ |
| Opening balance | 1,730,000 | 1,450,125 |
| Foreign exchange unrealized | (103,875) | 279,875 |
| Ending balance | 1,626,125 | 1,730,000 |

On July 12, 2013, the Company signed a Membership Interest Purchase and Sale Agreement ("MIPSA") with Magma Energy (U.S.) Corp. ("Magma"), a subsidiary of Alterra, and amended on October 11, 2013 whereby the Company will purchase from Alterra its 50% interest in and to the shares of AG Solar. The consideration was US \$1.25 Million. The Company completed the MIPSA on September 12, 2014 (the "Acquisition Date"), the Company now owns 100% of AG Solar and the option to acquire joint venture interest of \$1,450,000 was transferred to intangibles as it is related to the purchase of the Master Agreement (note 7).

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9) Accounts Payable

| | June 30 2016 | December 31 2015 |
|---------------------------------------|------------------|---------------------|
| | \$ | \$ |
| Project related accounts payables (i) | 2,592,896 | 2,590,897 |
| Other accounts payable (ii) | 721,473 | 704,221 |
| Total Accounts Payable | 3,314,369 | 3,295,118 |

- (i) Total project related accounts payable include costs for the AG Solar and Blue Mountain projects. At June 30, 2016, \$1.5 million is payable for initial construction of the Blue Mountain project (December 31, 2015 - \$1.5 million) \$463,359 is payable for legal fees related to Blue Mountain and AG Solar (December 31, 2015 - \$407,629), \$171,685 (December 31, 2015 - \$165,642) is payable for environmental assessments for Blue Mountain and the remainder \$488,955 to various vendors related to the two projects (December 31, 2015 - \$454,897).
- (ii) Other accounts payable include costs related to the Company and not to the AG Solar or Blue Mountain projects.

10) Loans Payable

| | June 30 2016 | December 31 2015 |
|-----------------------------------|--------------------|---------------------|
| | \$ | \$ |
| Captiva loans (i) | 31,248 | 80,721 |
| Shareholder loans (ii) | 130,090 | 138,400 |
| Director's loans (iii) | 524,532 | 377,662 |
| CEO's loans (iv) | 546,105 | 780,340 |
| | 1,231,975 | 1,377,123 |
| Less: Current portion | (1,171,975) | (1,304,319) |
| Loans payable, non-current | 60,000 | 72,804 |

- (i) During the year ended December 31, 2014, Captiva Verde Industries ("Captiva"), a company with directors in common with Greenbriar, loaned the Company, through several transactions, a total of \$80,721. The loans bear interest at 10% per annum, compounded monthly and are repayable on various dates in 2016. On March 10, 2016 and April 27, 2016, the Company repaid \$27,571 and \$21,902 to Captiva.
- (ii) In September 2014, the Company received two loans totaling \$130,090 (US \$100,000) from an independent shareholder. Both loans bear interest of 10% per annum, compounded monthly and repayable on February 25, 2015. The Company is currently renegotiating the repayment term.
- (iii) As at June 30, 2016, the Company had outstanding loans from directors of \$130,909 (December 31, 2015 - \$138,400). The loans bear interest of between 10% and 12% per annum and are repayable at varying terms from on demand to January, 2017. During the six months ended June 30, 2016, Nil was repaid on the loans (Year ended December 31, 2015 - \$49,435)
- (iv) As at June 30, 2016, the Company had outstanding loans from the CEO and the CEO's spouse of \$546,105. The loans bear interest of between 10% and 12% per annum and are repayable at varying terms from on-demand to November, 2016. During the six months ended June 30, 2016, \$48,696 was repaid on the loans (December 31, 2015 - \$69,647)

11) Share Capital

a) Authorized and Outstanding

At June 30, 2016, the Company had unlimited authorized common shares without par value and 13,824,227 common shares issued and outstanding (December 31, 2015 - 13,124,227).

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b) Private placement of units

On April 6, 2016, the Company issued 300,000 units through a private placement for gross proceeds of \$150,000. Each unit is comprised of one common share and one common share purchase warrant. Each 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 \$0.60 per share.

On May 31, 2016, the Company issued 400,000 units through a private placement for gross proceeds of \$200,000. Each unit is comprised of one common share and one common share purchase warrant. Each 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 \$0.60 per share. Of the 400,000 units issued, 250,000 were purchased by the spouse of the CEO.

On November 25, 2015, the Company issued 404,000 units through a private placement for gross proceeds of \$606,000 of which \$336,703 (net of issuance costs of \$126,767) was allocated to common shares and \$142,530 to the share purchase warrants based upon the relative fair values. 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. A finder's fee of \$75,000 in the form of 50,000 shares was given to CV Brokerage.

On April 17, 2015, the Company issued 205,000 units through a private placement for gross proceeds of \$307,500 of which \$147,184 (net of issuance costs of \$67,708) was allocated to common shares and \$92,608 to the share purchase warrants based upon the relative fair values. 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.

c) Share-based compensation

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.

A summary of stock option information as at June 30, 2016 is as follows:

| | Number of options | Weighted average exercise price |
|---------------------------------|-------------------|---------------------------------|
| | | \$ |
| Balance at December 31, 2014 | 1,185,695 | 1.77 |
| Exercised | (333,922) | 0.57 |
| Balance at December 31, 2015 | 851,773 | 1.46 |
| Exercised/Expired | - | - |
| Balance at June 30, 2016 | 851,773 | 1.46 |

Stock options outstanding as at June 30, 2016:

| Exercise price | Stock options outstanding | | | Options exercisable | |
|----------------|-------------------------------------|---------------------------------|---|---|---------------------------------|
| | Number of stock options outstanding | Weighted average exercise price | Weighted average remaining contractual life | Number of options outstanding and exercisable | Weighted average exercise price |
| \$ | | \$ | Years | | \$ |
| 0.57 | 351,773 | 0.57 | 0.41 | 351,773 | 0.57 |
| 0.75 | 125,000 | 0.75 | 0.41 | 125,000 | 0.75 |
| 2.60 | 125,000 | 2.60 | 1.95 | 125,000 | 2.60 |
| 2.50 | 250,000 | 2.50 | 2.07 | 250,000 | 2.50 |
| Total | 851,773 | 1.46 | 1.21 | 851,773 | 1.27 |

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The Company did not issue stock options for the three and six months ended June 30, 2016 or the year ended December 31, 2015. The Company recorded \$Nil of share-based compensation expense during the three and six months ended June 30, 2016 (2015 – \$Nil) as all had vested in as at December 31, 2014.

d) Warrants

Share purchase warrants outstanding as at June 30, 2016:

| Expiry date | Share purchase warrants outstanding | Black-scholes value | Exercise Price |
|--------------------|-------------------------------------|---------------------|----------------|
| | | \$ | \$ |
| September 12, 2019 | 684,000 | 272,937 | 2.00 |
| May 4, 2020 | 102,500 | 92,608 | 1.75 |
| November 25, 2020 | 202,000 | 142,530 | 1.75 |
| February 21, 2021 | 700,000 | 281,537 | 0.60 |
| Total | 1,688,500 | 789,612 | |

Each share purchase warrant and finder's warrant entitles the holder to acquire one common share of the Company upon the payment of the exercised price as indicated for a period of 24 months from the date the warrants were issued.

The share purchase warrants and broker's warrants issued were fair-valued using the Black-Sholes option pricing model with the following weighted average assumptions:

| | Three Months Ended | | Six Months Ended | |
|--------------------------|--------------------|---------------|------------------|---------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| Expected life (in years) | 5.00 | 5.00 | 5.00 | 5.00 |
| Risk-free interest rate | 0.60% | 1.08% | 0.60% | 1.08% |
| Expected volatility | 76.91% | 70.94% | 76.91% | 70.94% |
| Dividend yield | - | - | - | - |

The expected stock price volatility is based on the historic volatility (based on the life of the warrants).

The fair value of warrants issued during the three and six months ended June 30, 2016 was \$281,537 (June 30, 2015 three and six months ended -\$Nil and \$92,608, respectively). 155,000 warrants expired during the period.

e) Loss per share

Stock options and share purchase warrants have not been included in the computation of diluted loss per share for the three and six months ended June 30, 2016 and for year ended December 31, 2015, because to do so would be anti-dilutive.

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12) 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) Categories of financial instruments

| | June 30 2016 | December 31 2015 |
|-----------------------------|-------------------------|---------------------|
| | \$ | \$ |
| Loans and receivables | | |
| Cash | (292) | 3,903 |
| Deposits | 267,338 | 282,919 |
| Interest receivable | 62,983 | 53,454 |
| | 330,029 | 340,276 |
| Other financial liabilities | | |
| Accounts payable | 3,314,369 | 3,295,118 |
| Accrued interest | 366,074 | 315,122 |
| Accrued liabilities | 191,750 | 200,731 |
| Loans payable | 1,231,975 | 1,377,123 |
| | 5,104,168 | 5,188,094 |

b) Fair value

Financial instruments measured at fair value are grouped into Level 1 to 3 based on the degree to which fair value is observable:

Level 1 – quoted prices in active markets for identical securities

Level 2 – significant observable inputs other than quoted prices included in Level 1

Level 3 – significant unobservable inputs

All of the Company's financial instruments are measured at Level 1 with the exception of loans payable which are measured at Level 2. The Company did not move any instruments between levels of the fair value hierarchy during the three and six months ended June 30, 2016 and the year ended December 31, 2015.

Financial instruments consist of cash, deposits, interest receivable, accounts payable, accrued interest, accrued liabilities, and loans payable. The fair values of all financial instruments are considered to approximate their carrying values due to their short-term nature.

c) 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 interest rates through the interest earned on cash balances, deposits, and loans; however, management does not believe this exposure is significant.

d) Credit risk

The Company is exposed to credit risk through its cash, which is held in large Canadian financial institutions with high credit rating, deposits and other receivables. The Company believes the credit risk is insignificant. The Company's exposure is limited to amounts reported within the statement of financial position.

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e) 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. 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. The following table summarizes the remaining contractual maturities of the Company's financial liabilities and operating commitments:

| | 1 to 3 months | 4 months to 1 year | Over 1 year | Total |
|------------------------------|---------------|--------------------|------------------|------------------|
| | \$ | \$ | \$ | \$ |
| Accounts payable | 83,415 | (11,373) | 3,242,327 | 3,314,369 |
| Accrued liabilities | - | 71,760 | 119,990 | 191,750 |
| Accrued interest liabilities | 72 | - | 366,002 | 366,074 |
| Loans payable | - | - | 1,231,975 | 1,231,975 |
| Land lease payments | - | 407,832 | 62,443 | 470,275 |
| | 83,487 | 468,219 | 5,022,737 | 5,574,443 |

13) Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The primary use of capital will be used for the development of its properties and acquisitions.

The Company considers the items included in short-term loans and shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, business opportunity and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares or return capital to its shareholders. The Company is not exposed to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis. During the three and six months ended June 30, 2016, there has been no change in the Company's management of capital policies.

14) Segmented information

The Company currently has two geographic segments: Canada and the United States of America ("USA"). The head office and management operate in Canada and the Company's long-term assets are in the USA.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company is primarily involved in the acquisition and development of wind and solar energy farms in the United States and has determined that its reportable operating segment is based on the fact that the Company's projects have the same economic characteristics and represent the manner in which the Company's chief decision maker views and evaluates the Company's business. The Company has one reportable operating segment.

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| | Canada | USA | Total |
|---|-----------|-----------|-----------|
| | \$ | \$ | \$ |
| As at June 30, 2016 | | | |
| Total assets | 335,471 | 8,156,842 | 8,492,313 |
| Non-current assets | 160,550 | 8,156,995 | 8,317,545 |
| As at December 31, 2015 | | | |
| Total assets | 332,918 | 8,197,737 | 8,530,655 |
| Non-current assets | 290,503 | 8,194,687 | 8,485,190 |
| Three months ended June 30, 2016 | | | |
| Operating income | 136,219 | 399 | 136,618 |
| Interest income | 4,824 | - | 4,824 |
| Gain for the period | 141,043 | 399 | 141,442 |
| Three months ended June 30, 2015 | | | |
| Operating loss | (72,471) | (3,698) | (76,169) |
| Interest income | 4,365 | - | 4,365 |
| Loss for the period | (68,106) | (3,698) | (71,804) |
| Six months ended June 30, 2016 | | | |
| Operating income | (27,739) | 4,013 | (23,726) |
| Interest income | 9,529 | - | 9,529 |
| Gain for the period | (18,210) | 4,013 | (14,197) |
| Six months ended June 30, 2015 | | | |
| Operating loss | (436,720) | (9,301) | (446,021) |
| Interest income | 8,370 | - | 8,370 |
| Loss for the period | (428,350) | (9,301) | (437,651) |

15) Related party transactions

Key management includes directors and officers of the Company. In addition to related party transactions described in Note 10 and 11, the Company had the following expenses paid to key management:

| | Three Months Ended | | Six Months Ended | |
|--------------------------|--------------------|------------------|------------------|------------------|
| | June 30, 2016 | June 30, 2015 | June 30, 2016 | June 30, 2015 |
| | \$ | \$ | \$ | \$ |
| Salaries & Wages | - | 27,000 | - | 54,000 |
| Management fees | 40,095 | 38,740 | 87,611 | 76,932 |
| Share-based compensation | - | - | - | - |
| Total | 40,095 | 65,740 | 87,611 | 130,932 |

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 June 30, 2016, the President of the Company has been paid a total of \$55,836 (US \$42,921) fees under the contract. As at June 30, 2016, included in accounts payable are fees and expenses due to the President of the Company of \$244,399.

16) Commitments and Contingencies

As at June 30, 2016, the Company had the following commitments and contingencies outstanding:

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| | Within 1 year | 2-3 years | Over 3 years | Total |
|-----------------------------|---------------|-----------|--------------|------------------|
| | \$ | \$ | \$ | \$ |
| Puerto Rico land leases (i) | 407,832 | 62,443 | - | 470,275 |
| Consultant bonus (ii) | 325,225 | - | - | 325,225 |
| PBJL share transfer (iii) | 650,450 | - | - | 650,450 |
| Total | 1,383,507 | 62,443 | - | 1,445,950 |

- (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 June 30, 2016, the Company capitalized \$719,918 (US \$553,400) in land costs under the Puerto Rico project.
- (ii) The Company agreed to pay the President a one-time consultant bonus of US \$250,000 (Note 15).
- (iii) 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 may be required to pay approximately US \$500,000 for these shares on terms yet to be negotiated. Any future payments will be subject to available funds and the completion of a significant financing of the Company in the future.