Greenbriar Capital Corp.

Consolidated Financial Statements
Year Ended December 31, 2016 and 2015
(amount expressed in thousands of Canadian dollars, except where indicated)

Deloitte LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: (604) 669-4466
Fax: (604) 685-0395
www.deloitte.ca

Independent Auditor's Report

To the Shareholders of Greenbriar Capital Corp.

We have audited the accompanying consolidated financial statements of Greenbriar Capital Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Greenbriar Capital Corp. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates as of December 31, 2016, Greenbriar Capital Corp. has a working capital deficiency of $5.2 million. This condition, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt on Greenbriar Capital Corp.'s ability to continue as a going concern.

Deloitte LLP

Chartered Professional Accountants
May 1, 2017
Vancouver, Canada

Greenbriar Capital Corp.

Consolidated Statements of Financial Position

For the year ended December 31, 2016 and 2015
(amount expressed in Canadian dollars, except where indicated)

	Note	December 31, 2016	December 31, 2015
Assets			
Current assets			
Cash and cash equivalents		$ -	$ 3,903
Deposit and prepaid	5	13,427	37,969
Other receivables		7,841	3,593
		21,268	45,465
Deposit and prepaid expenses (non-current)	5	141,150	244,950
Investment and advances	6	3,360,467	3,273,881
Interest receivable		73,918	53,454
Land	7	1,511,350	1,538,356
Power project development and construction cost	8	2,279,008	1,644,549
Intangible assets	9	1,678,375	1,730,000
Total assets		$ 9,065,536	$ 8,530,655
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	$ 4,015,362	$ 3,810,971
Overdraft		105	-
Loans payable (current portion)	11	1,230,814	1,304,319
		5,246,281	5,115,290
Loans payable	11	226,581	72,804
Convertible debenture	12	202,281	-
Total liabilities		5,675,143	5,188,094
Shareholders' equity			
Share capital	13	4,988,685	4,899,388
Reserves	13	2,296,263	1,798,212
Accumulated other comprehensive income		832,267	956,822
Deficit		(4,726,822)	(4,311,861)
Total shareholders' equity		3,390,393	3,342,561
Total liabilities and shareholders' equity		$ 9,065,536	$ 8,530,655

Nature of operations and going concern (note 1)
Commitments and contingencies (note 19)
Subsequent events (note 20)

Approved by the Board of Directors

"Jeff Ciachurski" Director "John Wardlow" Director

The accompanying notes are an integral part of these consolidated financial statements.

Greenbriar Capital Corp.

Consolidated Statements of Loss and Comprehensive Loss

For the year ended December 31, 2016 and 2015
(amount expressed in Canadian dollars, except where indicated)

	Notes	2016	2015
General and administration expenses			
Consulting fees		$ (155,877)	$ (157,528)
Salaries and benefits		-	(143,178)
General and administrative		(37,536)	(54,677)
Finance cost		(57,661)	(73,350)
Share-based payment expense		(225,000)	-
Professional fees		(60,626)	(179,649)
		(536,700)	(608,382)
Other (expenses) income, net			
Foreign exchange gain (loss)		78,874	(498,409)
Finance income		20,464	17,534
Share of loss of joint-venture	6	(23,847)	(26,217)
Gain on settlement of debt		46,248	-
Net loss		(414,961)	(1,115,474)
Income tax recovery – future		-	-
Net loss after tax		(414,961)	(1,115,474)
Other comprehensive (loss) gain ("OCI")			
Cumulative translation adjustment		(124,553)	653,689
Total comprehensive loss		(539,514)	(461,785)
Loss per share – basic and diluted		$ (0.03)	$ (0.09)
Weighted average shares outstanding – basic and diluted		13,574,733	12,646,678
Total shares issued and outstanding		13,824,277	13,124,227

The accompanying notes are an integral part of these consolidated financial statements.

Greenbriar Capital Corp.

Consolidated Statements of Changes in Shareholders' Equity

For the year ended December 31, 2016 and 2015
(amount expressed in Canadian dollars, except where indicated)

	Notes	Shares	Share capital	Share based compensation reserves	Warrants reserves	Convertible debt reserves	Accumulated other comprehensive income	Deficit	Total equity
Balance at January 1, 2016		13,124,227	$ 4,899,388	$ 1,237,827	$ 560,385	-	$ 956,822	$ (4,311,861)	$ 3,342,561
Net loss for the period		-	-	-	-	-	-	(414,961)	(414,961)
Private placement	13	700,000	93,399	-	256,601	-	-	-	350,000
Share issued cost		-	(4,102)	-	(11,270)	-	-	-	(15,372)
Share-based payment expense		-	-	225,000	-	-	-	-	225,000
Convertible debt issuance	12	-	-	-	-	27,720	-	-	27,720
Cumulative translation adjustment		-	-	-	-	-	(124,555)	-	(124,555)
Balance at December 31, 2016		13,824,227	$ 4,988,685	$ 1,462,827	805,716	27,720	$832,267	$ (4,726,822)	$ 3,390,393
Balance at January 1, 2015		12,456,305	$ 4,381,645	$ 1,241,803	$ 349,883	-	$ 303,133	$ (3,196,387)	$ 3,080,077
Net loss for the period		-	-	-	-	-	-	(1,115,474)	(1,115,474)
Private placement		659,000	483,887	-	235,138	-	-	-	719,025
Exercised options		8,922	9,062	(3,976)	-	-	-	-	5,086
Expired warrants		-	24,636	-	(24,636)	-	-	-	-
Share issued cost		-	158	-	-	-	-	-	158
Cumulative translation adjustment		-	-	-	-	-	653,689	-	653,689
Share-based compensation charges		-	-	-	-	-	-	-	-
Balance at December 31, 2015		13,124,227	$ 4,899,388	$ 1,237,827	$ 560,385	-	$ 956,822	$ (4,311,861)	$ 3,342,561

The accompanying notes are an integral part of these consolidated financial statements.

Greenbriar Capital Corp.

Consolidated Statements of Cash Flows

For year ended December 31, 2016 and 2015
(amount expressed in Canadian dollars, except where indicated)

	Note	2016	2015
Cash used from operating activities			
Net loss for the period		$ (414,961)	$ (1,115,474)
Items not affecting cash			
Unrealized foreign exchange loss (gain)		(37,850)	337,510
Accretion on convertible debt	12	368	-
Share-based payment expense		225,000	-
Gain on settlement of debt		(46,248)	-
		(273,691)	(777,964)
Change in non-cash operating working capital			
(Increase) decrease in accounts receivable and prepaid expense		(24,712)	(17,338)
Increase in accounts payable and accruals		205,751	721,022
		(92,652)	(74,279)
Cash flows used in investing activities			
Investment and advances		-	(169,469)
Land	7	(18,900)	(11,144)
Deposit		13,840	(21,174)
Power project development and construction costs	8	(278,416)	(409,900)
		(283,476)	(611,687)
Cash flows used in financing activities			
Loans payable	11	(91,899)	(37,584)
Convertible bond	12	225,000	-
Share units issued, net of issuance costs	13	239,019	724,269
		372,120	686,685
Decrease in cash and cash equivalents		(4,008)	719
Cash and cash equivalents – beginning of year		3,903	3,184
Cash and cash equivalents – end of year		-	3,903
Overdraft – end of year		(105)	-

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 British Columbia Business Corporations Act on April 2, 2009 and is a real estate issuer on TSX Venture Exchange. The Company registered records office is located at Suite 1780 – 400 Burrard, 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 the basis that the Company is a going concern, which assumes that the Company will be able to realize its assets and discharge its 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 had a consolidated net loss of $414,961 for the year ended December 31, 2016, and an accumulated deficit of $4,726,822. As at December 31, 2016, the Company has a working capital deficiency of $5,225,013. To date, the Company has no history of earning or revenues. If the Company is unable to raise any additional funds to undertake planned development, it could have a material adverse effect on its financial condition and cause significant doubt about the Company's ability to continue as a going concern. If the going concern basis were not appropriate for these consolidated financial statements, then significant adjustments would be necessary to the comprehensive loss and the financial position classification.

2 Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as December 31, 2016. The policies set out below were consistently applied to all periods presented.

These financial statements were authorized for issue by the Board of Directors on May 1, 2017.

3 Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values as described in the significant accounting policies. All information is expressed in Canadian dollars unless otherwise stated and are prepared in accordance with the significant accounting policies outlined below.

Certain other prior period balances have been reclassified to conform with current period presentation.

Principles of consolidation

Subsidiaries

These consolidated financial statements include the accounts of Greenbriar and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation. The Company consolidates where there is ability to exercise control. Control of an investee is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through the Company's power over the investee. Specifically, the Company controls an investee if and only if, it has all of the following: power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns.

Joint Arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV").

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to assets and obligations for the liabilities, relating to the arrangement. The Company has no JO's.

A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Company's investment in the JV is accounted for using the equity method. On acquisition, an equity method investment is initially recognized at cost. The carrying amount of equity method investments includes goodwill identified on acquisition, net of any accumulated impairment losses. The carrying amount of the investment is adjusted by the Company's share of post-acquisition net income or loss, depreciation, amortization or impairment of the fair value adjustments made at the date of acquisition, dividends, cash contributions and the Company's share of post acquisition movements in Other Comprehensive Income ("OCI").

Associates

An associate is an entity over which the investor has significant influence but not control and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is presumed to exist where the Company has between 20% and 50% of the voting rights, but can also arise where the Company has less than 20% if it has the power to be actively involved and influential in policy decisions affecting the entity. The Company does not have any investments in Associates.

Out lined below is information related to the Company's subsidiaries and joint arrangements at December 31, 2016:

	Place of business	Entity type	Economic interest	Method
Greenbriar Capital Holdco Inc.	USA	Subsidiary	100%	Consolidation
Greenbriar Capital (U.S.) LLC	USA	Subsidiary	100%	Consolidation
AG Solar One, LLC	USA	Subsidiary	100%	Consolidation
Blue Mountain Wind Holdings, LLC	USA	JV	50%	Equity

AG Solar One LLC owns 100% of PBJL Energy Corporation and Blue Mountain Wind Holdings LLC owns 100% of Blue Mountain Ranch LLC.

Foreign currency translation

The Company's functional and local currency is the Canadian dollar and its subsidiaries have a functional currency of the United States dollar.

Transactions and balances

Foreign currency transactions are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in net income.

Transaction of subsidiary results into the presentation currency

The operating results and statements of financial position of the Company's subsidiaries are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates, unless the average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates; in which case income and expenses are translated at the rate on the dates of the transaction; and
- All resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the transaction of the net investment in foreign entities are recognized in a separate component of equity, foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognized in net income as part of the gain or loss on sale.

Cash

Cash includes cash on deposit and short-term investments with a maturity at the date of purchase of 90 days or less.

Investment and advances and option to acquire joint venture interest

The Company is in the premature stage of development with respect to its activities and accordingly follows the practice of capitalizing all costs related to the acquisition, environmental assessment, feasibility studies, security of property rights, financing, and initial construction. The costs will be amortized over the terms of the Power Purchasing Agreement (the "PPA") once the project commences commercial operations. The recoverability of the capitalized costs is dependent on the Company's ability to complete construction of the projects, meet its obligations under various agreements, and complete future operations and dispositions.

Option payments made by the Company are capitalized until the decision to exercise the option is made.

Financial Instruments – recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, or other liabilities and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Financial assets classified as FVTPL are measured at fair values with unrealized gains and losses recognized through profit and loss.

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

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

Financial liabilities

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

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

Impairment of financial instruments

The Company assesses at each financial reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

- For available-for-sale financial assets, an impairment loss is established when there is a significant or prolonged decline in the fair value of the investment or when there is objective evidence that the carrying amount of the investment may not be recovered. The amount of the impairment loss is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial assets previously recognized in the statement of loss and comprehensive loss. Any amounts related to that asset are removed from losses accumulated in the fair value reserve recognized in shareholder's equity and are included in the statement of loss and comprehensive loss. Reversals in respect of available-for-sale financial assets are not reversed through the

statement of loss and comprehensive loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income (loss) until the assets are disposed of.

- For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of provision account and the amount of the loss is recognized in the statement of loss and comprehensive loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of loss and comprehensive loss.

Property held for development and sale

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

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

Impairment of Long-lived assets

The Company assessed at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required – when intangible assets are not yet available for use, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets of groups of assets. Impairment losses are recognized in profit or loss.

Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

Share-based payments

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

Provisions

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

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

Earnings per share

Earnings per share is calculated based on the weighted average number of shares outstanding during the period. The Company follows the treasury stock method for the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should “in-the-money” options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year. Dilution from convertible securities is calculated based on the number of shares to be issued after takin into account the reduction of the related after-tax interest expense.

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options and warrants, if dilutive.

Segmented reporting

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of share options and warrants, if dilutive.

Recently adopted accounting standards

The Company has not adopted any new accounting standards during the year ended December 31, 2016.

Future changes in accounting policies not yet adopted

IFRS 15 Revenues from Contracts with Customers ("IFRS 15")

This standard was issued on May 28, 2014 and will replace IAS 11 Construction Contracts ("IAS 11"), IAS 18 Revenue ("IAS 18"), and related interpretations. This new standard outlines a single comprehensive model to be used in recognizing revenue arising from contracts with customers, and contains more prescriptive guidance than in IAS 11, IAS 18 and related interpretations. The core principle in IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 15 at the effective date and does not expect this pronouncement to have a significant impact on its consolidated financial statements as the Company does not generate significant revenue given the current stage of its projects. The Company will reassess the impact once significant revenue is generated.

IFRS 9 Financial instruments ("IFRS 9")

On July 25, 2014, the final publication of this standard was issued, and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 provides guidance for the classification of financial assets based on the contractual cash flow characteristics of the financial assets and the Company's business model for managing financial assets. Changes in the fair value of an entity's own debt when it is classified as fair value through profit or loss ("FVTPL"), to the extent that they relate to changes in the entity's own credit risk, are recognized in other comprehensive income. The new standard also requires a single impairment model to be used, replacing the multiple impairment models in IAS 39. The standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company will adopt IFRS 9 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of financial instruments.

IFRS 16, Leases ("IFRS 16) and revised IAS 17 ("IAS 17)

The IASB issued IFRS 16 and revised IAS 17 in January 2016. IFRS 16 specifies how to recognize, measure, present and disclose leases. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the term of the lease is twelve months or less or the underlying asset has a low value. Lessor accounting however remains unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company will adopt IFRS 16 at the effective date and does not expect this pronouncement to have a significant impact on the consolidated financial statements given the extent of its current use of leases.

4 Significant accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS 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. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Areas that often require significant management estimates and judgment are as follows:

Share-based payments

Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, forfeiture, dividend yield and expected option life.

Tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable earnings together with future tax planning strategies.

Functional currency

The functional currency for the Company and its subsidiaries is the currency of the primary economic environment in which each operates. The Company's functional and local currency is the Canadian dollar. The functional currency of the Company's subsidiaries is the US dollar. The determination of functional currency may require certain judgments to determent the primary economic environment. The Company reconsiders the functional currency used when there is a change in events and conditions which determined the primary economic environment.

Assets' carrying values and impairment charges

In determining carrying values and impairment charges the Company looks at recoverable amounts, defined as the higher of value in use or fair value less cost to sell in the case of assets, and at objective evidence that identifies significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

5 Deposits and prepaids

	December 31, 2016	December 31, 2015
Land Authority of Puerto Rico (i)	$ -	$ 103,800
Leidos Engineering (ii)	-	13,840
Green Matters (iii)	141,150	141,150
Others and prepaids	13,427	24,129
	154,577	282,919
Less: current portion	(13,427)	(37,969)
Deposit, non-current	$ 141,150	$ 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 would have been refunded if construction occurs within three years of the agreement execution date. As three years has lapsed and construction has not commenced, the Company has written off the deposit amount of US $75,000 as at December 31, 2016.

(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"). In the current fiscal year, the Company terminated the independent engineering services agreement and 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 Maters 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, the 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 repayment of the outstanding debt. The agreement was executed on June 30, 2016.

6 Investment and advance

Included in investment and advances as at December 31, 2016 is the Company's interest in Blue Mountain Wind Holding, LLC ("Blue Mountain").

	Blue Mountain	
	December 31, 2016	**December 31, 2015**
Initial contribution	$ 730,863	$ 730,863
Foreign exchange	115,038	141,057
Funds advanced	2,538,413	2,428,178
Share of loss of joint-venture	(23,847)	(26,217)
Total investment and advances	$ 3,360,467	$ 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 12 (iv)).

On May 5, 2014, the Company entered into a Qualifying Facility for a Large Generator Interconnection Agreement ("QFLGIA") 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 year ended December 31, 2016, the Company had advanced funds to Blue Mountain of $110,235 (December 31, 2015 - $147,859) for environmental and wind resource assessments, consulting, interest and legal services. Blue Mountain had a net loss for the year ended December 31, 2016 of $47,693 (December 31, 2015 - $52,433) in which the Company accounted for 50% of its shared loss of $23,847 (December 31, 2015 - $26,217).

7 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.

The Company's land consists of the following:

	December 31, 2016	December 31, 2015
Land acquisition	$ 1,396,408	$ 1,439,360
Property taxes	96,854	80,351
Land development	5,250	5,412
Land appraisal & related fees	12,838	13,233
	$ 1,511,350	$ 1,538,356

The unrealized foreign exchange translation loss (gain) for the year ended December 31, 2016 was $45,906 (December 31, 2015 unrealized foreign exchange translation gain – $250,160).

8 Power project development and construction costs

	December 31, 2016	December 31, 2015
Opening balance	$ 1,644,549	$ 1,034,910
Additions	660,092	409,900
Foreign exchange unrealized	(25,634)	199,739
Ending balance	$ 2,279,008	$ 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.

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.

During the fiscal year 2016, the Company paid US$102,134 for Montalva and Lajas option agreement.

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. On September 9, 2016, the Superior Court of Puerto Rico denied an application by PREPA to have the case for contractual enforcement and damages dismissed. This is a significant victory for Greenbriar as the Company may proceed ahead at full speed to have the court enforce our agreement, or in lieu of enforcement, direct PREPA to pay USD $210 Million in monetary damages, or both. The Company has also named key individuals like the Executive Director as named parties to our case and the Company will be pursuing claims against such individuals through PREPA's Directors and Officers Liability insurance.

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

9 Intangible assets

	December 31, 2016	December 31, 2015
Opening balance	$ 1,730,000	$ 1,450,125
Foreign exchange unrealized	(51,625)	278,875
Ending balance	$ 1,678,375	$ 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 8)

10 Accounts payable

	December 31, 2016	December 31, 2015
Project related accounts payables (i)	$ 2,860,434	$ 1,915,747
Other accounts payable (ii)	440,284	527,455
Accrued liabilities (ii)	714,644	1,367,769
Total accounts payable and accrued liabilities	$ 4,015,362	$ 3,810,971

(i) Total project related accounts payable include costs for the AG Solar and Blue Mountain projects. At December 31, 2016, $1.5 million is payable for initial construction of the Blue Mountain project (December 31, 2015 - $1.5 million) $498,211 is payable for legal fees related to Blue Mountain and AG Solar (December 31, 2015 - $233,780), $155,342 (December 31, 2015 - $157,567) is payable for environmental assessments for Blue Mountain and the remainder $690,785 to various vendors related to the two projects (December 31, 2015 - $295,625).

(ii) Other accounts payable and accrued liabilities include costs related to the Company and not to the AG Solar or Blue Mountain projects.

11 Loan payable

	December 31, 2016	December 31, 2015
Captiva loans (i)	$ 37,654	$ 80,721
Shareholder loans (ii)	134,270	138,400
Director loans (iii)	597,143	377,662
Initial & secondary loans (iv)	688,328	780,340
	1,457,395	1,377,123
Less: current portion	(1,230,814)	(1,304,319)
Deposit, non-current	$ 226,581	$ 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 $131,170 (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 December 31, 2016, the Company had outstanding loans from directors of $597,143 (December 31, 2015 - $377,662). 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 year ended December 31, 2016, $nil was repaid on the loans (December 31, 2015 - $49,435)

(iv) As at December 31, 2016, the Company had outstanding loans from the CEO and the CEO's spouse of $688,328. 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 year ended December 31, 2016, $104,334 was repaid on the loans (December 31, 2015 - $69,647).

12 Convertible debenture

On November 21, 2016, the Company issued two convertible debentures in the aggregate amount of $225,000. The debenture has a maturity term of 3 years from the date of issuance, and bears interest at a rate of 8% per annum compounded semi-annually. The debenture holder can convert the outstanding principal amount into units of the Company at a price of CAD$1.00 per unit. Each unit shall be comprised of one common share of the Company and one half of one common share purchase warrant entitling the holder to acquire an additional common share at the price of CAD$1.50 on or prior to November 21, 2019.

Based on the discount factor of 13.5% over the Debenture's term of three years, the equity portion was valued at $27,720. Accreted interest for the debenture for the year ended December 31, 2016 was $368 (December 31, 2015 – $Nil). Interest accrued for the year ended December 31, 2016 was $1,973 (December 31, 2015 - $nil). As at December 31, 2016, the total accrued interest related to the debenture was $1,973. (December 31, 2015 - $nil) and was included in account payables and accrued liabilities.

13 Share capital

a) Authorized and outstanding

As at December 31, 2016, the Company had unlimited authorized common shares without par value and 13,824,227 common issued and outstanding (December 31, 2015 – 13,124,227)

b) Private placement

- In February 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.
- In April 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.

c) Stock options

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.

Total share options granted during the year ended December 31, 2016 were 350,000 (2015 – nil). Total share-based compensation expense recognized for the fair value of share options granted and vested during the year ended December 31, 2016 was $225,000 (2015 - $nil). The fair value of the share options granted during the year ended December 31, 2016 and 2015 was estimated on the date of grant using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	December 31, 2016	December 31, 2015
Expected option life	5 years	-
Expected stock price volatility	86%	-
Dividend payment during life of option	Nil	-
Expected forfeiture rate	Nil	-
Risk free interest rate	1.10%	-
Weighted average strike price	$ 0.85	$ -
Weighted average fair value per option	$ 0.64	$ -
Weighted average share price	$ 0.93	$ -

A summary of stock option information as at December 31, 2016 is as follows:

	December 31, 2016		December 31, 2015	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding – beginning of year	851,773	$ 1.46	1,185,695	$ 1.77
Granted	350,000	0.85	-	-
Exercised/Expired	(351,773)	0.57	(339,922)	0.57
Outstanding – end of period	850,000	$ 1.58	851,773	$ 1.46

The following table discloses the number of options and vested options outstanding as at December 31, 2016:

Exercise price ($)	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options Outstanding and exercisable	Expiry Date
0.75	125,000	0.75	1.13	125,000	18-Feb-2018
0.85	350,000	0.85	4.93	350,000	5-Dec-2021
2.60	125,000	2.60	1.57	125,000	26-Jul-2018
2.50	250,000	2.50	1.83	250,000	30-Oct-2018
$1.58	**850,000**	**$1.58**	**2.97**	**850,000**	

The following table discloses the number of options and vested options outstanding as at December 31, 2015:

Exercise price ($)	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)	Number of options Outstanding and exercisable	Expiry Date
0.57	351,773	0.57	0.91	351,773	28-Nov-2016
0.75	125,000	0.75	1.13	125,000	18-Feb-2018
2.60	125,000	2.60	2.44	125,000	26-Jul-2018
2.50	250,000	2.50	2.57	250,000	30-Oct-2018
$1.58	**851,773**	**$1.58**	**2.97**	**850,000**	

d) Warrants

Outstanding warrants	Expiry Date	Exercise price
684,000	September 12, 2019	$2.00
102,500	May 4, 2020	$1.75
202,000	November 25, 2020	$1.75
400,000	February 21, 2021	$0.60
300,000	April 21, 2021	$0.60
1,688,500		

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.

In February 2016, pursuant to a private placement, a total of 400,000 units were sold at a price of $0.50 per unit for gross proceeds of $200,000. Each unit consists of one common shares and one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per share until February 21, 2021. The fair value of these warrants at the date of grant was estimated at $114,779 using the Black-Scholes option pricing model with the following assumptions: a 5 year expected average life; 77% volatility; risk-free interest rate of 0.60%; and a dividend yield of 0%.

In April 2016, pursuant to a private placement, a total of 300,000 units were sold at a price of $0.50 per unit for gross proceeds of $150,000. Each unit consists of one common shares and one share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of $0.60 per share until April 21, 2021. The fair value of these warrants at the date of grant was estimated at $141,822 using the Black-Scholes option pricing model with the following assumptions: a 5 year expected average life; 82% volatility; risk-free interest rate of 0.60%; and a dividend yield of 0%.

14 Income taxes

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

	Year ended December 31,	
	2016	**2015**
Loss before income taxes	$ (414,961)	$ (1,115,474)
Statutory tax rate	26%	26%
Recovery of income tax taxes based on combined federal and provincial statutory rates	(107,890)	(290,023)
Add / Deduct:		
Non-deductible expenses	58,500	-
Changes in unrecognized deferred tax assets	49,390	290,023
	-	-

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

	2016	**2015**
Unrecognized deductible temporary differences and unused tax losses		
Share issued costs (1)	183,271	231,669
Non-capital and net operating loss carry forward	3,558,309	3,304,504
	3,714,580	3,536,173

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

In assessing the realizability of deferred tax assets ("DTA"), management considers whether it is probable that some portion or all of the DTA will not be realized. The ultimate realization of DTA is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. As of December 31, 2016 and 2015, the Company does not believe it meets the criteria to recognize DTA.

At December 31, 2016, the Company has total non-capital and net operating loss carry forwards of approximately $3,558,309 which expire as follows:

The Company has non-capital losses carried forward for which no deferred tax asset is recognized. They expire in the years as follows:

	Canada
2029	$ 75,288
2030	52,045
2031	163,100
2032	221,199
2333	589,663
2034	950,211

2035	1,252,553
2035	254,250
	$ 3,558,309

15 Financial instruments

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

Categories of financial instrument

	December 31, 2016		December 31, 2015	
	Carrying value $	Fair value $	Carrying value $	Fair value $
Financial assets				
Fair value through profit and loss ("FVTPL")				
Cash and cash equivalents	-	-	3,903	3,903
Deposits	154,577	154,577	282,919	282,919
Interest receivables	73,918	73,918	53,454	53,454
Financial liabilities				
Other financial liabilities				
Overdraft	105	105	-	-
Accounts payable and accrued liabilities	4,015,362	4,015,362	3,810,971	3,810,971
Convertible debt	202,281	202,281	-	-
Loan payable	1,230,814	1,230,814	1,377,123	1,377,123
Long term obligation	226,581	226,581	72,804	72,804

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 years ended December 31, 2016 and 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.

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.

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.

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:

	Less than 1 year	Over 1 year	Total
Accounts payable and accrued liabilities	$ 4,015,362	$ -	$ 4,015,362
Loan payables	1,230,814	226,581	1,457,395
Convertible debt	-	202,281	202,281
Land lease payment	169,180	48,337	217,517
Total	5,415,356	477,199	5,892,555

16 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 year ended December 31, 2016, there has been no change in the Company's management of capital policies.

17 Segment disclosures

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.

	Canada	USA	Total
As at December 31, 2016			
Total assets	337,039	8,728,497	9,065,536
Non-current assets	315,770	8,728,497	9,044,267
As at December 31, 2015			
Total assets	332,918	8,197,737	8,530,655
Non-current assets	103,800	8,186,785	8,290,585

	Canada	USA	Total
Year ended December 31, 2016			
Operating loss	(439,264)	3,839	(435,425)
Interest income	20,464	-	20,464
Loss for the period	(418,800)	3,839	(414,961)
Year ended December 31, 2015			
Operating loss	(1,110,462)	(22,546)	(1,133,008)
Interest income	17,534	-	17,534
Loss for the period	(1,092,928)	(22,546)	(1,115,474)

18 Related party transactions

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

The Company incurred the following expenses with related parties during year ended December 31, are as follows:

	2016	2015
Salaries & wages	$ -	$ 108,000
Management fees	143,542	157,528
Total	143,542	265,528

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.

On October 15, 2016, the President entered into an amended compensation agreement with the Company. Under this new agreement, the President agreed to settle all unpaid fees and late penalties with a US$168,750 loan at interest of 8% per annum compounded semi-annually. His base fee will be reduced to US$5,000 per month until such time as a PPOA for a project has been executed with PREPA or other such milestone has occurred as determined by the board. The fee will then be reverted back to US$10,000 per month. Further the development completion award for the Montavla solar project will be reduced to US$1.95 million from the initial US$3 million

During the year ended December 31, 2016, the President of the Company has been paid a total of $nil (2015 - $57,312 US $42,921) fees under the contract. As at December 31, 2016, included in accounts payable are fees and expenses due to the President of the Company of $23,938 (2015 – $237,226).

19 Commitments and contingencies

As at December 31, 2016, the Company had the following commitments and contingencies outstanding:

	Within 1 year	Over 1 year	Total
Puerto Rico land leases (i)	$ 169,180	$ 48,337	$ 217,517
PBJL Share transfer (ii)	671,350	-	671,350
Total	840,530	48,337	888,867

(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, 2016, the Company capitalized $918,734 (US $684,244) in land costs under the Puerto Rico project.

(ii) 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.

20 Subsequent events

On January 13, 2017, the Company issued two convertible debentures in the aggregate amount of $125,000. The debenture has a maturity term of 3 years from the date of issuance, and bears interest rate of 8% per annum compounded semi-annually. The debenture holder can convert the outstanding principal amount into units of the Company at a price of CAD$1.00 per unit. Each unit shall be comprised of one common share of the Company and one half of one common share purchase warrant entitling the holder to acquire an additional common share at the price of CAD$1.50 on or prior to January 13, 2020.

On February 6, 2017, the Company closed the private placement issued 50,000 units at a price of $1.20 per unit for gross proceeds of $60,000. Each unit is comprised of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $1.50 per unit until February 3, 2022. A finder's fee was paid to PI Financial Corp comprised of 3,000 shares. The shares are subject to hold period expiring at midnight on June 3, 2017.

On April 6, 2017, the Company closed the private placement issued 492,420 units at a price of $0.80 per unit for gross proceeds of $393,936. Each unit is comprised of one common share and one half of one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of $1.50 per unit until April 7, 2022.