# GENCAN CAPITAL INC.

## *2015 ANNUAL REPORT*

**TO THE SHAREHOLDERS**

Presented herein is your Company’s Annual Report for the Fiscal Year ended September 30, 2015.

On October 30, 2015, pursuant to a Plan of Arrangement between the Company and Genterra Capital Inc., the Company was spun-off as a public company and its shares listed on the Canadian Securities Exchange under the symbol GCA.

The Company has a significant interest in a solar generation operation located in Cambridge, Ontario. The Company’s objective is to create and maximize shareholder value through its business operations including the acquisition of non-energy related opportunities.

Revenues for the period under review were $496,097 yielding net income of $81,119 and income per share of $0.00. This compares with revenues of $41,143, a net loss of $27,571 and a loss per share of $0.00 for the comparable 2014 period, the Company’s first year of operations.

We thank our shareholders for their interest and support and invite all to attend the upcoming Annual Meeting. For shareholders who are unable to attend, a proxy has been enclosed which you should complete and return in the enclosed envelope.

On Behalf of the Board,

*Signed “Mark I. Litwin”*

Mark I. Litwin
President and Chief Executive Officer

Tel: 416 865 0200
Fax: 416 865 0887
**www.bdo.ca**

BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

# Independent Auditor's Report

**To the shareholders of Gencan Capital Inc.**

We have audited the accompanying financial statements of Gencan Capital Inc., which comprise the statements of financial position as at September 30, 2015 and September 30, 2014, and the statements of income (loss) and comprehensive income (loss), changes in equity (deficiency) and cash flows for the year ended September 30, 2015 and the period from incorporation on October 31 2013 to September 30, 2014 and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

**Opinion**
In our opinion, the financial statements present fairly, in all material respects, the financial position of Gencan Capital Inc. as at September 30, 2015 and September 30, 2014 and its financial performance and its cash flows for the year ended September 30, 2015 and the period from incorporation on October 31, 2013 to September 30, 2014 in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

January 21, 2016
Toronto, Ontario

# Gencan Capital Inc. (formerly Genterra Energy Inc.)
**Statements of Financial Position**
**As at September 30, 2015 and 2014**

| | *Notes* | As at September 30 2015 | As at September 30 2014 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash | | $ 475,483 | $ 882 |
| Accounts receivable | | 122,376 | 303,572 |
| Prepaid expenses and deposits | | 30,899 | 53,605 |
| | | 628,758 | 358,059 |
| **Equipment** | *5* | 2,097,360 | 2,206,032 |
| **Deferred income taxes** | *8* | - | 9,940 |
| **Total assets** | | $ 2,726,118 | $ 2,574,031 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | $ 64,555 | $ 237,419 |
| Interest payable | *6* | - | 10,085 |
| | | 64,555 | 247,504 |
| **Deferred rent** | | 30,505 | 32,118 |
| **Loan payable** | *6* | 2,557,970 | 2,321,970 |
| **Deferred income taxes** | *8* | 19,530 | - |
| | | 2,672,560 | 2,601,592 |
| **Shareholders' Equity (Deficiency)** | | | |
| Capital stock | *7* | 10 | 10 |
| Retained earnings (deficit) | | 53,548 | (27,571) |
| **Total shareholders' equity (deficiency)** | | 53,558 | (27,561) |
| **Total liabilities and shareholder's deficiency** | | $ 2,726,118 | $ 2,574,031 |

Approved on behalf of the Board:

"Fred A. Litwin" Director

"Stan Abramowitz" Director

See accompanying notes to the financial statements

# Gencan Capital Inc. (formerly Genterra Energy Inc.)

**Statements of Income (Loss) and Comprehensive Income (Loss)**

**For the year ended September 30, 2015 and the period from Incorporation on October 31, 2013 to September 30, 2014**

| | Notes | For the year ended September 30 2015 | For the period Oct 31, 2013 to September 30 2014 |
|---|---|---|---|
| **Revenue** | | | |
| Solar energy generation | | $ 496,097 | $ 41,143 |
| | | 496,097 | 41,143 |
| **Expenses** | | | |
| Operating costs | | 77,299 | 42,140 |
| Administrative and general | | 97,553 | 13,329 |
| Interest | *6* | 101,984 | 10,085 |
| Amortization | *5* | 108,672 | 13,100 |
| | | 385,508 | 78,654 |
| **Income (loss) before income taxes** | | 110,589 | (37,511) |
| Income taxes (recovery) | | | |
| Current | | - | - |
| Deferred | *8* | 29,470 | (9,940) |
| | | 29,470 | (9,940) |
| **Net Income (loss) for the period, also being comprehensive income (loss)** | | $ 81,119 | $ (27,571) |
| **Income (loss) per share** | | | |
| Basic and diluted | *9* | $ 0.00 | $ (0.00) |
| **Weighted average number of common shares** | | | |
| Basic and diluted | *9* | 16,628,716 | 16,628,716 |

See accompanying notes to the financial statements

# Gencan Capital Inc. (formerly Genterra Energy Inc.)

**Statements of Changes in Equity (Deficiency)**

**For the year ended September 30, 2015 and the period from Incorporation on October 31, 2013 to September 30, 2014**

| | Capital Stock | | Retained | |
|---|---|---|---|---|
| | Common shares | | Earnings | Total Equity |
| | Number of shares | Amount | (Deficit) | (Deficiency) |
| **Balance at October 31, 2013** | 100 | $ 10 | $ - | $ 10 |
| Net loss for the period | - | - | (27,571) | (27,571) |
| **Balance at September 30, 2014** | 100 | $ 10 | $ (27,571) | $ (27,561) |
| | | | | |
| **Balance at September 30, 2014** | 100 | $ 10 | $ (27,571) | $ (27,561) |
| Net income for the year | - | - | 81,119 | 81,119 |
| **Balance at September 30, 2015** | 100 | $ 10 | $ 53,548 | $ 53,558 |

See accompanying notes to the financial statements

# Gencan Capital Inc. (formerly Genterra Energy Inc.)

**Statements of Cash Flows**

**For the year ended September 30, 2015 and the period from Incorporation on October 31, 2013 to September 30, 2014**

| | Notes | For the year ended September 30 2015 | For the period Oct 31, 2013 to September 30 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income (loss) for the period | | $ 81,119 | $ (27,571) |
| **Adjustments to reconcile net income (loss) to net cash flows:** | | | |
| Amortization | 5 | 108,672 | 13,100 |
| Deferred income taxes expense (recovery) | 8 | 29,470 | (9,940) |
| Deferred rent | | (1,613) | 32,118 |
| Interest expense | | 101,984 | 10,085 |
| | | 319,632 | 17,792 |
| **Changes in non-cash components of working capital:** | | | |
| Accounts receivable | | 181,196 | (303,572) |
| Prepaid expenses and deposits | | 22,706 | (53,605) |
| Accounts payable and accrued liabilities | | (172,864) | 237,419 |
| **Net cash flows from (used in) operating activities** | | 350,670 | (101,966) |
| **Cash flows from financing activities** | | | |
| Interest paid | | (112,069) | - |
| Issuance of capital stock | 7 | - | 10 |
| Proceeds from loans payable | 6 | 236,000 | 2,321,970 |
| **Net cash flows from financing activities** | | 123,931 | 2,321,980 |
| **Cash flows used in investing activities** | | | |
| Investment in equipment | 5 | - | (2,219,132) |
| **Net cash flows used in investing activities** | | - | (2,219,132) |
| **Net increase in cash** | | 474,601 | 882 |
| **Cash, beginning of period** | | 882 | - |
| **Cash, end of period** | | $ 475,483 | $ 882 |

## 1. NATURE OF OPERATIONS

*Nature of operations*

Gencan Capital Inc. ("the Company") is a Canadian company and the holder of a Solar Energy Feed-In Tariff Program Contract with interests in solar energy generation equipment located in Ontario, Canada. The Company was incorporated on October 31, 2013, has a registered office address at 106 Avenue Road, Toronto, Ontario, M5R 2H3.

On August 17, 2015, the Company changed its name from Genterra Energy Inc. and on October 30, 2015, pursuant to a Plan of Arrangement (announced on July 21, 2015 between the Company and Genterra Capital Inc. ("GCI"), a Canadian controlled private company), the Company was spun-off as a public company and its shares were listed on the Canadian Securities Exchange under the symbol "GCA". Subsequent to the spin-off, GCI retains a 76% controlling interest in the Company.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The Company prepares financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS issued and effective as of September 30, 2015. These financial statements were authorized for issue by the Board of Directors on January 21, 2016.

### (b) Functional currency

These financial statements are presented in Canadian dollars, the Company's functional currency.

### (c) Basis of measurement

These financial statements are prepared on the historical cost basis.

### (d) Critical judgements in the application of accounting policies

The following are the critical judgements that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the financial statements:

**Leases:** The Company's policy for leases is described in note 3(d). In applying this policy, the Company makes judgements in determining whether its leases are operating or finance leases. The Company has determined that all of its leases are operating leases.

**Equipment:** The Company's policy for equipment is described in note 3(b). In applying this policy, the Company makes judgements in determining whether certain costs are additions to the carrying amount of the equipment. Judgement is also applied in determining whether an impairment in value exists at each reporting date. The Company has determined that an impairment in value does not exist.

**Deferred income taxes:** The Company's policy for deferred income taxes is described in note 3(h). In applying this policy, the Company makes judgements in determining whether the recoverability of deferred income tax assets is probable. The Company has determined that the realization of certain income tax losses carried forward are probable and has recorded a deferred income tax asset relating to these losses.

**Impairment of financial assets:** The Company's policy for the recognition of an impairment of financial assets is described in note 3(c). In applying this policy, the Company makes judgements in determining whether an event has occurred to cause the value of the underlying asset to become impaired. The Company has determined that none of its financial assets are impaired.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Foreign currencies

Foreign currency transactions are translated 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 of monetary assets and liabilities denominated in foreign currencies at period end rates are recognized in the statements of income and comprehensive income.

### (b) Equipment

Equipment is stated at the lower of cost, net of accumulated amortization, and its recoverable amount. Equipment is reviewed for indicators of impairment at the end of each reporting period. If it is determined that the net recoverable amount of Equipment is less than its carrying value, the Equipment is written down to its recoverable amount. The recoverable amount of Equipment is the higher of fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the Equipment in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows of Equipment is discounted to 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 Equipment. Any impairment in value of Equipment is recorded in the statements of income and comprehensive income. Where an impairment loss of Equipment subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years. A reversal of an impairment loss on Equipment is recognized immediately in the statements of income and comprehensive income.

Amortization is being provided for over the estimated useful life of Equipment as follows:

| | |
|---|---|
| Solar Energy Generation Equipment: | |
| Solar modules and racking | straight-line over twenty years |
| Energy transformer | straight-line over ten years |

### (c) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, interest payable and loan payable.

**Classification of financial instruments:**

The Company's financial assets and liabilities can be classified into any of the following specified categories: i) available-for-sale ("AFS") financial assets, ii) fair value through profit or loss ("FVTPL"), iii) loans and receivables, iv) held to maturity investments and v) other liabilities. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

**Cash and cash equivalents:** Cash and cash equivalents are included in the loans and receivables financial instruments category and are initially recognized at the fair value that is directly attributable to the acquisition or issue. They are carried in the statements of financial position at amortized cost using the effective interest rate method. The Company does not hold any asset backed commercial paper.

**Accounts receivable:** The Company's accounts receivable consists primarily of solar energy sales receivables and sales taxes recoverable. Accounts receivable are classified as loans and receivables. These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material. All other gains or losses are recognized when the instrument is removed from the statement of financial position.

**Other financial liabilities:** The Company's other financial liabilities include accounts payable and accrued liabilities, interest payable and loan payable.

(i) Accounts payable and accrued liabilities and interest payable consist primarily of trade payables and accrued interest on the loan payable. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

(ii) Loan payable consists of a loan payable to the Company's parent company and is initially recognized at the fair value directly attributable to the issue of the instrument, net of transaction costs. It is subsequently carried at amortized cost using the effective interest rate method. Interest expense is recognized in the statements of income and comprehensive income in the same period as incurred. All other gains or losses are recognized when the instrument is removed from the statement of financial position. The effect of discounting on these financial instruments is not considered to be material.

**Derivative financial instruments:**

The Company does not have any derivative financial instruments.

**Fair value of financial instruments:**

Financial instruments that are recorded at fair value on the statements of financial position or disclosed at fair value in the notes to the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial instruments which are measured at fair value. See Note 10(f) for fair value disclosures of financial instruments.

**Impairment of financial assets:**

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include, among other evidence: i) significant financial difficulty of the issuer or counterparty; or ii) default or delinquency in interest or principal payments; or iii) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Certain categories of financial assets that are assessed not to be impaired individually, such as accounts receivable and prepayments, are subsequently assessed for impairment on a collective basis. For these assets, the carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statements of income and comprehensive income in the relevant period. With the exception of AFS instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**(d) Leases**

Where substantially all of the risks and rewards incidental to ownership of a leased asset has been transferred to the Company ("Finance Lease"), the asset is treated as if it had been purchased. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are then allocated between capital repayment and interest expense which is charged to the statement of income and comprehensive income over the period of the lease. Where substantially all of the risks and rewards incidental to ownership of a leased asset are not transferred to the Company ("Operating Lease"), the total rents payable in the lease are charged to expense on a straight-line basis over the term of the lease.

**(e) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(f) Revenue recognition**

Revenue from solar energy generation equipment is recognized as produced and delivered to the local utility.

**(g) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

**(h) Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities and the benefit of tax losses available to be carried forward for tax purposes.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets are recorded in the financial statements if realization is considered probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

**(i) Earnings (loss) per share**

Basic earnings (loss) per common share is calculated by dividing the earnings (loss) attributed to common shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company does not have any potential common shares issuable.

### (j) Segment reporting

A segment is a component of the Company that: i) engages in business activities from which it may earn revenue and incur expenses, ii) whose operating results are reviewed by the board of directors, and iii) for which discrete financial information is available. Management of the Company has identified one reportable industry segment, solar energy generation, with all equipment located in Ontario, Canada.

### (k) New accounting standards not yet effective

IFRS 9, *Financial Instruments: Classification and Measurement*, introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15, *Revenue Recognition*: provides for a single, comprehensive revenue recognition model for all contracts with customers. It contains a single principles based five step approach that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) the recoverability of accounts receivable and prepayments totaling $153,275 (September 30, 2014: $357,177);

(ii) the estimated useful lives of solar energy generation equipment totaling $2,097,360 (September 30, 2014: $2,206,032) and the related amortization of $108,672 (2014: $13,100); and

(iii) the provision for income taxes expense of $29,470 (2014: recovery of $9,940).

## 5. EQUIPMENT

| | Solar modules and racking | Energy transformer | Total |
|---|---|---|---|
| **Cost** | | | |
| Balance - October 31, 2013 | $ - | $ - | $ - |
| Additions | 2,094,832 | 124,300 | 2,219,132 |
| Balance - September 30, 2014 | $ 2,094,832 | $ 124,300 | $ 2,219,132 |
| Additions | - | - | - |
| Balance - September 30, 2015 | $ 2,094,832 | $ 124,300 | $ 2,219,132 |
| **Accumulated amortization** | | | |
| Balance - October 31, 2013 | $ - | $ - | $ - |
| Amortization | 11,722 | 1,378 | 13,100 |
| Balance - September 30, 2014 | $ 11,722 | $ 1,378 | $ 13,100 |
| Amortization | 100,123 | 8,549 | 108,672 |
| Balance - September 30, 2015 | $ 111,845 | $ 9,927 | $ 121,772 |
| **Net book value** | | | |
| September 30, 2014 | $ 2,083,110 | $ 122,922 | $ 2,206,032 |
| September 30, 2015 | $ 1,982,987 | $ 114,373 | $ 2,097,360 |

## 6. LOAN PAYABLE

The loan payable is due to GCI on August 1, 2019 and bears interest at 4% per annum. The loan is collateralized by a general security agreement on all the assets of the Company. See Note 10(f) for fair value disclosures of the loan payable.

## 7. CAPITAL STOCK AND EQUITY

Capital stock

*Authorized*
Unlimited Common shares, no par value

*Issued and outstanding*

| | September 30 2015 | September 30 2014 |
|---|---|---|
| 100 Commons Shares (16,628,716 as of October 23, 2015) | $ 10 | $ 10 |

During the period ended September 30, 2014, the Company issued 100 common shares for $10.

On October 23 2015, as part of the Plan of Arrangement (see Note 1), the Company split its common shares into 16,628,716 common shares.

Equity

The Company's equity consists of capital stock and retained earnings. The break-down of the Company's capital stock is described above.

Retained earnings represent cumulative net income and increases in net assets of the Company.

## 8. INCOME TAXES

The income of the Company is subject to current income tax at a combined federal and provincial rate of 26.5%.

There was no difference between the Company's effective tax rate and the combined statutory tax rate for the period.

Deferred income tax is calculated using a tax rate of 26.5%. The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities is as follows:

| | September 30 2015 | September 30 2014 |
|---|---|---|
| Deferred income tax asset | | |
| Non-capital loss carry forwards | $ 301,618 | $ 132,892 |
| Deferred rent | 8,084 | 8,511 |
| | $ 309,702 | $ 141,403 |
| Deferred income tax liability | | |
| Solar energy generation equipment | $ 329,232 | $ 131,463 |
| Net deferred income tax asset (liability) | $ (19,530) | $ 9,940 |

## 9. EARNINGS (LOSS) PER SHARE

(a) Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares in issue during the period.

| | For the year ended September 30 2015 | For the period Oct 31, 2013 to September 30 2014 |
|---|---|---|
| Net income (loss) for the period | $ 81,119 | $ (27,571) |
| Weighted average number of common shares (see Note 7) | 16,628,716 | 16,628,716 |
| Basic income (loss) per share | $ 0.00 | $ (0.00) |

(b) Diluted

Diluted earnings (loss) per share has not been calculated as there are no potential common share issuances.

## 10. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, interest payable and loan payable. The Company is exposed to various risks as it relates to these financial instruments. The risks and processes for managing the risks are set out below:

**(a) Liquidity risk**

Liquidity risk arises from the Company's management of working capital and principal repayments on its debt obligations. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's objective is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this goal the Company seeks to maintain cash balances to meet expected requirements for a period of twelve months. At the date of the statement of financial position, the Company expected to generate sufficient liquid resources to meet its obligations under all reasonable expected circumstances.

Accounts payable and accrued liabilities are due within one year. The Company's loan payable is due August 1, 2019 and accrued interest thereon is due and payable monthly.

The Company's major contractual obligations in the subsequent twelve-month periods are as follows:

| | 2016 | 2017 | 2018 | 2019 | 2020 | Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Accounts payable and other liabilities | $ 64,555 | $ - | $ - | $ - | $ - | $ - | $ 64,555 |
| Loan payable | - | - | - | 2,557,970 | - | - | 2,557,970 |
| Loan interest | 102,319 | 102,319 | 102,319 | 85,266 | - | - | 392,223 |
| Operating lease and contract payable | 62,991 | 62,991 | 52,813 | 52,813 | 52,813 | 733,100 | 1,017,521 |
| | $ 229,865 | $ 165,310 | $ 155,132 | $ 2,696,049 | $ 52,813 | $ 733,100 | $ 4,032,269 |

**(b) Foreign exchange risk**

Currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. Any currency gains or losses are included in the consolidated statements of income (loss) and comprehensive income (loss).

At September 30, 2015, the Company had no monetary assets and liabilities denominated in foreign currencies and had no outstanding foreign exchange commitments.

The Company does not undertake currency hedging activities.

**(c) Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has reduced its exposure to interest rate risk over cash flows through the use of fixed rate instruments on certain of its financial liabilities. The Company has not used derivative financial instruments to alter its exposure to interest rate risk.

As of September 30, 2015, no borrowings of the Company bear interest on a prime plus basis. In doing so, the Company has not exposed itself to fluctuations in interest rates that are inherent in such a market.

**(d) Other price risk**

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company does not have any financial instruments subject to this risk.

**(e) Concentration of credit risk**

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivables. The Company does not have any significant amounts outstanding which are past due or impaired.

Cash and cash equivalents are maintained at one financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. Interest due is included with accounts receivable.

The majority of accounts receivable is represented by electricity sales receivables due from a single utility. Management believes that collection risk on this receivable is not significant.

The Company sells all of its generated electricity to a single utility under a twenty year Feed-In Tariff delivery contract. While this constitutes a significant credit concentration, Management believes that the risk is not significant.

**(f) Fair value of financial assets and liabilities**

The carrying values of the cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and interest payable approximate their respective fair values due to the short-term nature of these instruments.

The carrying value and fair value of the loan payable is as follows:

| | September 30, 2015 | | September 30, 2014 | |
|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value |
| Loan payable | $ 2,557,970 | $ 2,633,690 | $ 2,321,970 | $ 2,314,340 |

The Company uses the government of Canada bond yield curve plus an adequate constant credit spread to discount the above financial instruments in order to determine fair value. The fair value of loan payable is based upon level 2 fair value hierarchy inputs.

## 11. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to create and maximize shareholder value through the operation of its solar energy generation equipment.

The Company considers its total capitalization to consist of loan payable, Common share capital and accumulated retained earnings (deficit). Management reviews its capital management approach on an ongoing basis.

As at September 30, 2015 the Company did not have any externally imposed capital requirements.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position as at September 30, 2015 and 2014:

| | September 30 2015 | September 30 2014 |
|---|---|---|
| Loan payable | $ 2,557,970 | $ 2,321,970 |
| Shareholders' equity (deficiency) | 53,558 | (27,561) |
| | $ 2,611,528 | $ 2,294,409 |

## 12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Officers of the Company, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The Company entered into transactions and had outstanding balances with various companies related by virtue of common ownership and management. These transactions were in the normal course of operations and were measured at the amount of consideration established and agreed to by the related parties.

Significant related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The Company is the owner of a solar energy generation project located on the roof of GCI's properties, which is being rented by the Company from GCI for $52,813 per annum ending in August 2034. The Company has entered into an agreement with Highroad Estates Inc. ("Highroad"), a company of which certain directors and officers are also directors and officers of the Company, to manage this operation for $60,000 per annum.

In addition, the Company has entered into an administrative services agreement with GCI for $6,000 per annum commencing in October 2014.

Under the above agreements, management fees of $60,000 (2014: $10,000) were charged by Highroad and rent of $52,813 (2014: $6,282) and administrative services fees of $6,000 (2014: $Nil) was charged by GCI.

Accounts payable and accrued liabilities at September 30, 2015 include $Nil (September 30, 2014: $6,282) due to GCI and $Nil (September 30, 2014: $10,000) due to Highroad. These amounts are unsecured and are due on demand.

Loan payable at September 30, 2015 of $2,557,970 (September 30, 2014: $2,321,970) is payable to GCI, due August 1, 2019 bearing interest at 4% per annum. During the year ended September 30, 2015, $101,984 (2014: $10,085) of interest was charged under this loan and $Nil (2014: $10,085) is included in interest payable on the statement of financial position.

The Company did not directly pay any remuneration to key management for the year ended September 30, 2015 and the period ended September 30, 2014.

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# OF
# FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

*The following Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Gencan Capital Inc. (formerly Genterra Energy Inc.) ("GCC" or the "Company") for the fiscal year ended September 30, 2015. This MD&A should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended September 30, 2015, included elsewhere herein.*

*In this document and in the Company's audited financial statements, unless otherwise noted, all financial data is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts, unless specifically identified as otherwise, both in the audited financial statements and this MD&A, are expressed in Canadian dollars.*

*MD&A contains forward-looking statements, including statements concerning possible or assumed future results of operations of the Company. Forward-looking statements typically involve words or phrases such as "believes", "expects", "anticipates", "intends", "foresees", "estimates" or similar expressions. Forward-looking statements involve risks, uncertainties and assumptions, as described from time to time in the Company's reports and filed with securities commissions in Canada, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. In addition, the Company expressly disclaims any obligation to publicly update or alter its previously issued forward-looking statements.*

The discussion and analysis in this MD&A is based on information available to management as of January 21, 2016.

## THE COMPANY

The Company is a Canadian Company operating in Canada with significant interests in solar energy generation equipment located in Cambridge, Ontario, Canada.

On August 17, 2015, the Company changed its name from Genterra Energy Inc. and on October 30, 2015, pursuant to a Plan of Arrangement (announced on July 21, 2015 between the Company and Genterra Capital Inc. ("GCI"), a Canadian controlled private corporation), the Company was spun-off as a public company and it shares were listed on the Canadian Securities Exchange under the symbol "GCA". Subsequent to the spin-off, GCI retains, a 76% controlling interest in the Company.

The business objective of the Company is to create and maximize shareholder value through its business operations, including the potential acquisition of non-energy related opportunities.

A Feed-In Tariff ("FIT") Program was developed for the Province of Ontario to encourage and promote greater use of renewable energy sources including on-shore wind, waterpower, renewable biomass, biogas, landfill gas and solar photovoltaic (PV) for electricity generating projects in Ontario. The fundamental objective of the FIT Program, in conjunction with the *Green Energy and Green Economy Act, 2009 (Ontario)* and Ontario's Long Term Energy Plan, 2010, is to facilitate the increased development of renewable generating facilities of varying sizes, technologies and configurations via a standardized, open and fair process.

The FIT Program is open to projects with a rated electricity generating capacity greater than 10 kilowatts (kW) and generally up to 500 kW.

The Company through Highroad Estates Inc. (“Highroad”), which certain directors and officers are also directors and officer of the Company, entered into a FIT Contract with the Ontario Power Authority for a solar PV rooftop facility at GCI’s property at 450 Dobbie Drive, in Cambridge, Ontario to supply the energy produced by the facility to Cambridge and North Dumfries Hydro Inc. Highroad also entered into an agreement for the Company to install the solar energy generation equipment on the roof of the 450 Dobbie Drive property. Highroad manages the project operation on behalf of the Company.

Endura Energy Project Corp., which designs, builds and consults on the development of medium and large scale solar energy systems, completed the design and construction of the Company’s rooftop solar PV system which began commercial operation on August 18, 2014. The Company’s solar rooftop PV system is located in a commercial urban area where the power is needed most and mitigates the need for the transport and distribution of electricity from distant parts of the province.

The Company’s installed solar power provides enough energy to power approximately 100 average homes and reduces carbon emissions equivalent to planting 450 trees, each year.

The Company’s rooftop solar energy generation equipment consists of 2,795 solar panels with a modular tilt of 20 degrees and an azimuth of 15 degrees east of south. The total size of the system is 726.7 kW DC capacity with a maximum of 500.0 kW AC production.

Revenue is earned under a twenty year FIT Program Contract with the Ontario Power Authority at a rate of $0.635 per kWh delivered to the local utility provider. In contrast, new contracts awarded by the Ontario Power Authority for a similar size system as the Company’s is at $0.225 per kWh.

## OUTLOOK

The Company’s primary asset is its significant investment in a Renewable Power Solar PV Rooftop System.

The Company provides an opportunity to invest in hard asset investments, managed by an experienced team with a successful track record. As part of its growth strategy, management intends to evaluate non-energy related opportunities that they believe will add value for the Company and its shareholders. In doing so, the Company intends to explore opportunities to invest in other types of assets to build and maintain a growth oriented portfolio.

## RESULTS OF OPERATIONS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

The Company was incorporated on October 31, 2013 and its solar energy generation operations began generating power in August 2014.

## SUMMARY OF QUARTERLY RESULTS

| | 2015 | | | | 2014 | | | |
|---|---|---|---|---|---|---|---|---|
| | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| **Revenue** | **$186,900** | **$182,959** | **$ 63,423** | **$ 62,815** | **$ 41,143** | **$ -** | **$ -** | **$ -** |
| **Net income (loss)** | **69,450** | **65,914** | **(35,446)** | **(18,799)** | **(8,755)** | **(9,408)** | **(9,408)** | **-** |
| **Income (loss) per share** | $ 0.00 | $ 0.00 | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) | $ - |

“Q1” refers to the three months ended December 31; “Q2” refers to the three months ended March 31; “Q3” refers to the three months ended June 30; “Q4” refers to the three months ended September 30; “2015” refers to the twelve month fiscal year ending September 30, 2015; and “2014” refers to the period from incorporation on October 31, 2013 to September 30, 2014.

## SELECTED ANNUAL INFORMATION

| | Fiscal Period Ended September 30 | |
|---|---|---|
| | 2015 | 2014 |
| Revenue | $ 496,097 | $ 41,143 |
| Net income (loss) | 81,119 | (27,571) |
| Distributions per share: | | |
| Common shares | - | - |
| | September 30 2015 | September 30 2014 |
| Assets | $ 2,726,118 | $ 2,574,031 |
| Non-current financial liabilities | 2,557,970 | 2,321,970 |

## RESULTS FOR THE THREE MONTHS AND FISCAL YEAR ENDED SEPTEMBER 30, 2015 AND 2014

| | **Three Months Ended September 30** | | | **Fiscal Year Ended September 30** | | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **Change** | **2015** | **2014** | **Change** |
| Revenue | | | | | | |
| Solar energy generation | $ 186,900 | $ 41,143 | $ +145,757 | $ 496,097 | $ 41,143 | $ +454,954 |
| | 186,900 | 41,143 | +145,757 | 496,097 | 41,143 | +454,954 |
| Expenses | | | | | | |
| Operating costs | 18,969 | 16,540 | +2,429 | 77,299 | 42,140 | +35,159 |
| Administrative and general | 20,265 | 13,329 | +6,936 | 97,553 | 13,329 | +84,224 |
| Interest | 25,774 | 10,085 | +15,689 | 101,984 | 10,085 | +91,899 |
| Amortization | 27,393 | 13,100 | +14,293 | 108,672 | 13,100 | +95,572 |
| | 92,401 | 53,054 | +39,347 | 385,508 | 78,654 | +306,854 |
| Income (loss) before income taxes | 94,499 | (11,911) | +106,410 | 110,589 | (37,511) | +148,100 |
| Income taxes (recovery) | 25,049 | (3,156) | +28,205 | 29,470 | (9,940) | +39,410 |
| Net income (loss) for the period | $ 69,450 | $ (8,755) | $ +78,205 | $ 81,119 | $ (27,571) | $ +108,690 |

### Review of Results for the Three Months and Fiscal Year ended September 30, 2015 and 2014

The Company began producing and selling electricity generated from its solar energy generation equipment in mid-August 2014. During the year ended September 30, 2015, the solar energy generation equipment produced approximately 781,000 kW hours of electricity (294,000 kW hours for the three months ended September 30, 2015) and 65,000 kW hours of electricity from start up to September 30, 2014.

**Solar Energy Generation Revenue.** The solar energy generation revenue represents revenue earned from its solar energy generation equipment located on the roof of a building of the Company’s parent, Genterra Capital Inc. (“GCI”), which is located in Cambridge, Ontario. Solar energy generation revenue is seasonal with the highest levels of production experienced during the summer months when there is more sunlight available to the solar panels. During the fiscal year ended September 30, 2015, the Company produced 12% of its electricity in the quarter ended December 31, 2014, 13% during the quarter ended March 31, 2015, 37% during the quarter ended June 30, 2015 and 38% during the quarter ended September 30, 2015.

**Operating Costs.** Operating costs include solar energy generation operating expenses including insurance and straight line rent charges for the rental of the roof where the solar energy generation equipment is located. Operating costs for the fiscal year ended September 30, 2014 are significantly lower than September 30, 2015 as production only began in mid-August 2014 and straight line rent charges began in January 2014. Operating costs for the quarter ended September 30, 2015 are comparable to September 2014 with increases in maintenance costs from period to period.

**Administrative and General Expenses.** Administrative and general expenses include management fees paid to Highroad to manage the Company's solar energy generation operation and audit fees. The increase in administrative and general expenses during the three months and fiscal year ended September 30, 2015 compared to September 30, 2014 are due to management fees only starting in August 2014 and audit fees for both fiscal 2014 and 2015 included in 2015.

**Interest Expense.** Interest expense represents interest charged by GCI on the outstanding loan payable which began charging interest in August 2014. The increase in interest expense for the three months and fiscal year ended September 30, 2015 compared to September 30, 2014 is due to an increase in the balance of the loan during the 2015 periods.

**Amortization.** Amortization expense represents the amortization of the solar energy generation equipment from when it began producing electricity in mid-August 2014. As a result, there is an increase in amortization expense for the three months and fiscal year ended September 30, 2015 compared to September 30, 2014. Amortization is provided for as outlined in the note 3(b) to the Company's audited financial statements for the fiscal year ended September 30, 2015.

**Income Tax Provision.** There are no differences between the Company's statutory tax rate and its effective tax rate which is 26.5%.

The effective tax rate for the year ended September 30, 2015 is 26.7% compared to 26.5% for the fiscal year ended September 30, 2014. The effective tax rate for the three months ended September 30, 2015 and 2014 is 26.5%

**Net Income or Loss.** Net income for the three months ended September 30, 2015 was $69,450 compared to a net loss of $8,755 for September 30, 2014. Net income for the fiscal year ended September 30, 2015 was $81,119 comparted to a net loss of $27,571 for September 30, 2014.

**Inflation.** Inflation has not had a material impact on the results of the Company's operations in its last quarter or fiscal period and is not anticipated to materially impact on the Company's operations during its next fiscal year.

## LIQUIDITY AND CAPITAL RESOURCES

The Company's principal sources of liquidity are cash and cash equivalents on hand and cash flow from operations.

| | September 30 2015 | September 30 2014 | Change |
|---|---|---|---|
| Working Capital | | | |
| Current assets | $ 628,758 | $ 358,059 | $ +270,699 |
| Current liabilities | 64,555 | 247,504 | -182,949 |
| | 564,203 | 110,555 | +453,648 |
| Ratio of current assets to current liabilities | 9.7 | 1.4 | |
| Cash and cash equivalents | $ 475,483 | $ 882 | $ +474,601 |

The Company's working capital increased to $564,203 as at September 30, 2015 compared to $110,555 as at September 30, 2014 due to increased cash and decreases in accounts receivable offset by decreases in accounts payable. Working capital is primarily represented by cash, revenue receivable and sales taxes recoverable offset by outstanding payables relating to the solar energy generation equipment operation.

During the fiscal year ended September 30, 2015 the Company's cash position increased by $474,601 to $475,483 from $882 as at September 30, 2014. The net increase was due to the following:

- Operating Activities increased cash by $350,670. This was a result of $319,632 of cash generated from operations and $31,038 from changes in non-cash components of working capital;
- Financing Activities increased cash by $123,931 from proceeds received from the loan payable less interest paid;
- Investing Activities did not impact cash.

The Company anticipates that it will require approximately $300,000 in order to meet its ongoing expected costs for the next twelve months. These costs include solar energy generation operating expenses, rent, insurance, fees for management and administrative services provided to the Company, audit fees, shareholder costs, interest expense on the loan payable and income taxes. The Company expects to generate the revenue required in order to service these expenditures from its existing solar energy generation equipment.

## RELATED PARTY TRANSACTIONS

The Company entered into transactions and had outstanding balances with various companies related by common ownership and management.

The transactions with related parties are in the normal course of business.

Related party transactions for the fiscal year ended September 30, 2015 are summarized as follows:

The Company's solar energy generation project is located on the roof of a building of GCI which is being rented by the Company for $52,813 per annum.

The Company has an agreement with Highroad to manage its solar energy generation operation for $60,000 per annum.

The Company has an administrative services agreement with GCI for $6,000 per annum.

Under the above agreements, management fees of $60,000 were charged by and paid to Highroad and rent of $52,813 and administrative services fees of $6,000 were charged by and paid to GCI.

Loan payable at September 30, 2015 of $2,557,970 is due to GCI on August 1, 2019 and bears interest at 4% per annum. During the period, $101,984 of interest was charged and paid under this loan.

## SHARE DATA

**The following table sets forth the Outstanding Share Data for the Company as at January 21, 2016:**

| | Authorized | Issued |
|---|---|---|
| Common Shares | Unlimited | 16,628,716 |

On October 23, 2015, as part of the Plan of Arrangement, the Company split its 100 common shares into 16,628,716 common shares.

## RISKS AND UNCERTAINTIES

The Company is subject to a number of broad risks and uncertainties including general economic conditions. In addition to these broad business risks, the Company has specific risks that it faces, the most significant of which are outlined below. **The risks and uncertainties discussed herein highlight the more important factors that could significantly affect the Company's operations and profitability. They do not represent an exhaustive list of all potential issues that could affect the financial results of the Company and are not presented in any particular order of relevance.**

### Cash Deposits Held At Banks May Exceed The Amounts Of Insurance Provided On Such Deposits And Any Loss Arising Therefrom Could Have A Material Adverse Effect On The Company's Financial Condition And Results Of Operations

Deposits held with banks may exceed the amount of insurance provided on such deposits. If the Company were to suffer a loss as a result of a failure of one of these Banks and the insurance provided thereon was insufficient to cover the amount of the deposit, results of operations may suffer. This could adversely affect financial condition and cash flow.

### Adverse Currency Fluctuations on Cash Deposits Held In Foreign Denominated Currencies Could Have A Material Adverse Effect On The Company's Financial Condition And Results Of Operations

Currency risk is the risk that a negative variation in exchange rates between the Canadian Dollar and foreign currencies will affect the Company's operating and financial results. If the Company holds funds denominated in a foreign currency and the value of this currency experiences a negative fluctuation due to a change in exchange rates this could have a material adverse effect on the Company's financial condition and results of operations.

**The Need To Maintain Liquidity And The Company's Financial Condition Could Be Adversely Affected By Market And Economic Conditions**

A liquidity risk arises from the Company's management of working capital and principal repayments on its debt obligations to avoid difficulty in meeting its financial obligations as they become due. Liquidity is essential to the Company and may be impaired by circumstances that management may be unable to control, such as general market disruption or an operational problem which in turn could affect the Company's financial condition and ability to satisfy debt service obligations.

**The Company May Not Be Able To Produce Expected Levels of Energy From Solar Generation**

The amount of electricity generated by the Company's solar energy generation equipment depends on the availability of solar irradiation, which is naturally variable. Lower than anticipated solar irradiation levels at the Company's solar energy generation equipment location may reduce the Company's revenues and profitability and may adversely effect the Company's financial condition and results of operations.

**The Company May Experience Solar Generation Equipment Failure**

The Company's solar energy generation equipment are subject to the risk of equipment failure resulting from the deterioration of the assets from use or age, latent defect and design or operation error, among other things. To the extent that the solar energy generation equipment requires longer than forecast downtimes for maintenance and repair, or suffers power generation disruptions for other reasons, the Company's operating results, financial condition and profitability may be adversely effected.

**The Company's Solar Energy Generation Operations Are Highly Regulated And May Be Exposed To Increased Regulation Which Could Result In Additional Costs**

The Company's solar energy generation operations are subject to government regulation. Any new law, rule or regulation could require additional expenditures to achieve or maintain compliance or could adversely impact the Company's ability to generate and deliver power, which may reduce the Company's revenues, increase its expenses and affect profitability which may adversely effect the Company's financial condition and results of operations.

**The Company Is Relying On A Solar Energy Feed-In Tariff Contract For Delivery Of Electricity To The Local Utility**

The Company's contract to delivery electricity to the local utility under the existing Ontario Feed-In Tariff Program expires in 2034. The Company expects this contract to be fulfilled for its term. However, should this contract be cancelled or modified for reasons not anticipated or beyond the Company's control, this could substantially affect the Company's revenue and profitability and may adversely effect the Company's financial condition and results of operations.

**The Company May Not Be Able To Renegotiate Financing Terms As They Come Due Which Could Effect The Company's Liquidity And Financial Condition**

The Company cannot be certain that it will be able to successfully renegotiate financing on favourable terms on the existing equipment. This could impact the Company's liquidity, financial condition and ability to meet working capital requirements.

### General Uninsured Losses May Result In The Company Losing Its Investment In And Cash Flows From Equipment And Could Reduce Net Income

The Company carries comprehensive general liability with policy specifications, limits and deductibles customarily carried for similar equipment. There are however certain types of risks (generally of a catastrophic nature such as wars or environmental contamination) that are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the value of the Company's assets would be reduced by any such uninsured loss. In addition, the Company could lose its investment in and anticipated revenues, profits and cash flows from its equipment, but would continue to be obliged to repay any recourse indebtedness on such equipment which in turn would reduce net income. Accordingly an uninsured or underinsured loss could impact the Company's financial condition.

### Environmental Legislation May Affect The Company's Operating Results

Environmental legislation and policies have become an increasingly important feature of property ownership and management in recent years. Under various laws, owners could become liable for the costs of effecting remedial work necessitated by the release, deposit or presence of certain materials, including hazardous or toxic substances and, accordingly, environmental contamination could be considered a risk factor. The cost of defending against claims of liability, complying with environmental regulatory requirements, or remediating any contaminated property could materially adversely effect the Company, its assets and results of operations.

### It May Be Difficult To Sell Shares Of The Company Due To Limited Trading Volume

The securities of the Company were listed on the Canadian Securities Exchange on October 30, 2015 and have since experienced limited trading volume. As a result there may be less coverage by security analysts, the trading price may be lower, and it may be more difficult for shareholders to dispose of the Company's securities.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its results of operations and financial condition are based upon its financial statements that have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Estimates and assumptions are evaluated on an ongoing basis and are based on historical and other factors believed to be reasonable under the circumstances. The results of these estimates may form the basis of the carrying value of certain assets and liabilities and may not be readily apparent from other sources. Actual results, under conditions and circumstances different from those assumed, may differ from estimates.

Notes 2, 3 and 4 of the Company's audited financial statements for the year period September 30, 2015 provide a detailed discussion of the Company's significant accounting policies and application of critical accounting estimates and judgements.

## FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT AND OTHER INSTRUMENTS

The Company does not utilize financial instruments such as hedging instruments to manage financial risks.

For cash and cash equivalents, accounts receivable, trade and other payables and loans and borrowings with a maturity of less than one year, fair value is not materially different from the carrying amount due to the effect of the time value of money. See Note 10 of the Company's audited financial statements for the year ended September 30, 2015 for a more detailed discussion and additional fair value disclosures.

## Proposed Transactions

Management periodically enters into informal discussions with prospective business partners in the normal course of operations. However, management does not believe that any of these discussions constitute a proposed transaction for the purpose of this report.

## Off-Balance Sheet Arrangements

The Company had no off balance sheet arrangements as of September 30, 2015 and 2014.

# NEW ACCOUNTING STANDARDS AND ACCOUNTING PRONOUNCEMENTS

## Presentation of Financial Instruments

IAS 32, *Financial Instruments: Presentation*, was amended to clarify that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. IAS 32 is effective for annual periods beginning on or after January 1, 2014. Management adopted this standard for the fiscal year ending September 30, 2015 and determined that the adoption thereof had no impact on the financial statements.

## Financial Instruments

IFRS 9, *Financial Instruments: Classification and Measurement*, introduces new requirements for the classification and measurement of financial instruments, a single forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 9.

## Revenue Recognition

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers. It contains a single principles based five step approach that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management has not yet considered the potential impact of the adoption of IFRS 15.

# ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual report, audited year-end financial results and unaudited quarterly financial results, can be accessed on SEDAR (www.sedar.com). For further information shareholders may also contact the Company by email at ivy@forumfinancialcorp.com.

## DIRECTORS

Fred A. Litwin
Stan Abramowitz
Mark E. Dawber
Alan Kornblum
Sol D. Nayman

## OFFICERS

Mark I. Litwin – President and Chief Executive Officer
Stan Abramowitz – Secretary

## AUDITORS

BDO CANADA LLP, Chartered Professional Accountants
Toronto, Canada

## REGISTRAR & TRANSFER AGENT

COMPUTERSHARE INVESTOR SERVICES INC.
Toronto, Canada

## BANKERS

ROYAL BANK OF CANADA
Toronto, Canada

## HEAD OFFICE

106 Avenue Road
Toronto, Canada
M5R 2H3

## LISTED SECURITIES

CANADIAN SECURITIES EXCHANGE
Symbol: GCA – Common

*GENCAN CAPITAL INC.*
106 Avenue Road
Toronto, Ontario
M5R 2H3