

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE NINE MONTHS ENDED JUNE 30, 2016**

*The following Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Gencan Capital Inc. (the "Company") for the nine months ended June 30, 2016. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and notes thereto for the nine months ended June 30, 2016, and the audited financial statements and notes thereto and annual MD&A for the fiscal year ended September 30, 2015, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*In this document and in the Company's unaudited condensed interim 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 unaudited condensed interim 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 August 18, 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")), the Company was spun-off as a public company and its shares were listed on the Canadian Securities Exchange under the symbol "GCA". GCI currently retains a 78% 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 generally open to projects with a rated electricity generating capacity greater than 10 kilowatts (kW) and up to 500 kW.

The Company through Highroad Estates Inc. (“Highroad”), of which certain directors and officers are also directors and officers of the Company, entered into a FIT Contract with the Ontario Power Authority (which merged with the Independent Electricity System Operator “IESO” on January 1, 2015) 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. (now Energy + 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 currently 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 THREE AND NINE MONTHS ENDED JUNE 30, 2016

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

### SUMMARY OF QUARTERLY RESULTS

	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
<b>Revenue</b>	<b>\$193,934</b>	<b>\$ 75,978</b>	<b>\$ 79,392</b>	<b>\$186,900</b>	<b>\$182,959</b>	<b>\$ 63,423</b>	<b>\$ 62,815</b>	<b>\$ 41,143</b>
<b>Net income (loss)</b>	<b>53,691</b>	<b>(40,674)</b>	<b>(34,902)</b>	<b>69,450</b>	<b>65,914</b>	<b>(35,446)</b>	<b>(18,799)</b>	<b>(8,755)</b>
<b>Income (loss) per share</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>

“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; “2016” refers to the twelve month fiscal year ending September 30, 2016; “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.

### RESULTS FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2016 AND 2015

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
<b>Revenue</b>						
Solar energy generation	\$ 193,934	\$ 182,959	\$ +10,975	\$ 349,304	\$ 309,197	\$ +40,107
	193,934	182,959	+10,975	349,304	309,197	+40,107
<b>Expenses</b>						
Operating costs	22,979	18,977	+4,002	62,411	58,330	+4,081
Administrative and general	45,232	21,471	+23,761	158,395	77,288	+81,107
Interest	25,509	25,526	-17	76,809	76,210	+599
Amortization	27,168	27,092	+76	81,504	81,279	+225
	120,888	93,066	+27,822	379,119	293,107	+86,012
<b>Income (loss) before income taxes</b>	<b>73,046</b>	<b>89,893</b>	<b>-16,847</b>	<b>(29,815)</b>	<b>16,090</b>	<b>-45,905</b>
<b>Income tax expense (recovery)</b>	<b>19,355</b>	<b>23,979</b>	<b>-4,624</b>	<b>(7,930)</b>	<b>4,421</b>	<b>-12,351</b>
<b>Net income (loss) for the period</b>	<b>\$ 53,691</b>	<b>\$ 65,914</b>	<b>\$ -12,223</b>	<b>\$ (21,885)</b>	<b>\$ 11,669</b>	<b>\$ -33,554</b>

## Review of Results for the Three and Nine Months Periods Ended June 30, 2016 and 2015

### Solar Energy Production

The Company began producing and selling electricity generated from its solar energy generation equipment in mid-August 2014. Total kW hours produced for the three and nine month periods ended June 30, 2016 and 2015 is as follows:

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
kW hours produced	305,000	288,000	+17,000 6%	550,000	487,000	+63,000 13%

### Solar Energy Generation Revenue

The solar energy generation revenue represents revenue earned from the solar energy generation equipment located on the roof of a building owned by 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 three and nine month periods ended June 30, 2016 the Company produced approximately 6% and 13% more electricity as compared to the three and nine month periods ended June 30, 2015 and consequently revenue increased by a similar percentage.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Solar energy revenue	\$ 193,934	\$ 182,959	+10,975 6%	\$ 349,304	\$ 309,197	+40,107 13%

### Operating Costs

Operating costs for the solar energy generation equipment includes insurance, maintenance and rent charges for the rental of the roof where the solar energy generation equipment is located. Operating costs for the three and nine month periods ended June 30, 2016 were similar to the three and nine month periods ended June 30, 2015 with the exception of approximately \$3,500 in non-recurring costs incurred in June 2016 associated with a routine audit of the FIT Contract by the IESO.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Operating costs	\$ 22,979	\$ 18,977	+4,002	\$ 62,411	\$ 58,330	+4,081

## Administrative and General Expenses

Administrative and general expenses include management fees paid to Highroad to manage the Company's solar energy generation operation, audit fees, legal fees, liability insurance, director's fees and shareholder related costs.

The increase in administrative and general expenses during the three and nine month periods ended June 30, 2016 compared to June 30, 2015 was due to costs incurred in the current periods which were not incurred in the comparable periods resulting from the Company's listing on the Canadian Securities Exchange which became effective in late October 2015.

These costs include increased audit, legal, liability insurance and director's fees of approximately \$15,000 for the three months and \$41,000 for the nine months ended June 30, 2016 as compared to June 30, 2015.

In addition, there was an increase in shareholder related costs (transfer agent, listing fees, printing and meeting costs) of approximately \$9,000 for the three months and \$40,000 for the nine months ended June 30, 2016 as compared to June 30, 2015. Included in these costs is a one-time \$10,000 listing fee charged by the Canadian Securities Exchange in October 2015.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Administrative and general	\$ 45,232	\$ 21,471	+23,761	\$ 158,395	\$ 77,288	+81,107

## Interest Expense

Interest expense represents interest charged by GCI on the outstanding loan payable. The slight increase in interest expense for the nine month period ended June 30, 2016 compared to 2015 is due to an increase in the average balance of the loan during the current period as compared to the prior period.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Interest	\$ 25,509	\$ 25,526	-17	\$ 76,809	\$ 76,210	+599

## Amortization

Amortization expense represents the amortization of the solar energy generation equipment and remained consistent for the three month and nine month periods ended June 30, 2016 as compared to June 30, 2015. Amortization is provided for over the estimated useful life of the equipment of 20 years for the solar modules and racking and 10 years for the energy transformer.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Amortization	\$ 27,168	\$ 27,092	+76	\$ 81,504	\$ 81,279	+225

## Income Tax Provision

There are no differences between the Company's statutory tax rate and its effective tax rate of 26.5% for the three and nine month periods ended June 30, 2016 and 2015.

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Income (loss) before income taxes	\$ 73,046	\$ 89,893	-16,847	\$ (29,815)	\$ 16,090	-45,905
Income tax expense (recovery)	19,355	23,979	-4,624	(7,930)	4,421	-12,351
	26.5%	26.7%		26.6%	27.5%	

## Net Income or Loss

Net income or loss for the three and nine months ended June 30, 2016 as compared to June 30, 2015 is as follows:

	Three Months Ended			Nine Months Ended		
	June 30			June 30		
	2016	2015	Change	2016	2015	Change
Net income (loss) for the period	\$ 53,691	\$ 65,914	-12,223	\$ (21,885)	\$ 11,669	-33,554

## Inflation

Inflation has not had a material impact on the results of the Company's operations in the three and nine months ended June 30, 2016 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 on hand and cash flows from operations.

	<b>June 30</b>	<b>September 30</b>	
	<b>2016</b>	<b>2015</b>	<b>Change</b>
Working Capital			
Current assets	\$ 649,077	\$ 628,758	\$ +20,319
Current liabilities	34,395	64,555	-30,160
	614,682	564,203	+50,479
Ratio of current assets to current liabilities	18.9	9.7	
Cash	\$ 486,597	\$ 475,483	\$ +11,114

Working capital is primarily represented by cash and accounts receivable offset by outstanding payables and sales taxes payable relating to the solar energy generation operation.

The Company's working capital increased to \$614,682 as at June 30, 2016 compared to \$564,203 as at September 30, 2015 due to an increase in cash and accounts receivable and a decrease in accounts payable.

During the nine months ended June 30, 2016 the Company's cash position increased by \$11,114 to \$486,597 from \$475,483 as at September 30, 2015. The net increase was due to the following:

- Operating Activities increased cash by \$87,923. This was a result of \$127,288 of cash generated from operations and a decrease of \$39,365 from changes in non-cash components of working capital;
- Financing Activities decreased cash by \$76,809 due to interest payments on the loan payable;
- Investing Activities had no impact on cash during the period.

The Company anticipates that it will require approximately \$380,000 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, director's fees, shareholder costs, and interest expense on the loan payable. 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 nine months ended June 30, 2016 and 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 \$45,000 (2015: \$45,000) were charged by and paid to Highroad and rent of \$39,610 (2015: \$39,610) and administrative services fees of \$4,500 (2015: \$4,500) were charged by and paid to GCI.

Director's fees of \$37,500 (2015: \$Nil) were paid to independent directors.

Loan payable at June 30, 2016 of \$2,557,970 (September 30, 2015: \$2,557,970) is due to GCI on August 1, 2019 and bears interest at 4% per annum. Total interest of \$76,809 (2015 \$76,210) was charged and paid under this loan.

## SHARE DATA

**The following table sets forth the Outstanding Share Data for the Company as at August 18, 2016:**

	<u>Authorized</u>	<u>Issued</u>
Common Shares	Unlimited	16,092,284

On October 23, 2015 the Company split its 100 common shares into 16,628,716 common shares.

Effective October 26, 2015, the Company and GCI completed a Plan of Arrangement whereby the GCI common shares were exchanged for cash and, subject to the number of GCI common shares held, common shares of the Company. Pursuant to the May 10, 2010 amalgamation of Genterra Inc. and Consolidated Mercantile Incorporated to form GCI, shareholders of the predecessor companies who had not exchanged their shares for shares of GCI, were entitled until May 10, 2016 to surrender their shares in exchange for cash and, subject to the number of Genterra Inc. and Consolidated Mercantile Incorporated shares held, common shares of the Company. As a result, on May 10, 2016 the Company cancelled 536,432 common shares representing pre-amalgamation shares of GCI which were not surrendered for exchange.



## **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 in the Company's MD&A for the year ended September 30, 2015. **The risks and uncertainties discussed therein 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.**

There were no significant changes to these risks and uncertainties as of the date of this MD&A.

## **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 ended September 30, 2015 and notes 2 and 3 of the Company's unaudited condensed interim financial statements for the nine months ended June 30, 2016 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, 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 and Note 4 of the Company's unaudited condensed interim financial statements for the nine months ended June 30, 2016 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 June 30, 2016 and September 30, 2015.

## **NEW ACCOUNTING STANDARDS AND ACCOUNTING PRONOUNCEMENTS**

### **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](http://www.sedar.com)). For further information shareholders may also contact the Company by email at [ivy@forumfinancialcorp.com](mailto:ivy@forumfinancialcorp.com).