

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2017**

*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 three months ended December 31, 2017. This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and notes thereto for the three months ended December 31, 2017, and the audited financial statements and notes thereto and annual MD&A for the fiscal year ended September 30, 2017, 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 February 9, 2018.

## **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 October 30, 2015, pursuant to a Plan of Arrangement 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.

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”), of which certain directors and officers are also directors and officers of the Company, entered into a FIT Contract with the Ontario Power Authority (now the Independent Electricity System Operator “IESO”) for a solar PV rooftop facility at GCI’s property located at 450 Dobbie Drive, in Cambridge, Ontario to supply the energy produced by the facility to the local utility. Highroad also entered into an agreement with Endura Energy Project Corp. (“Endura”) 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, 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 IESO at a rate of \$0.635 per kWh delivered to the local utility provider. In contrast, contracts awarded by the IESO, under the fifth and final iteration of the FIT Program, for a similar size system as the Company’s was at \$0.207 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. Management is currently evaluating potential prospects for the Company.

## RESULTS OF OPERATIONS

### *Summary of Quarterly Results*

	2018	2017				2016		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 66,842	\$149,165	\$176,570	\$ 75,975	\$ 72,578	\$194,341	\$193,934	\$ 75,978
Net income (loss)	(35,437)	18,261	44,567	(40,354)	(31,574)	53,333	53,691	(40,674)
Income (loss) per share	\$ (0.00)	\$ 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; “2018”, “2017” and “2016” refer to the twelve month fiscal years ending September 30, 2018, 2017 and 2016.

## RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016	Change
Revenue			
Solar energy generation	\$ 66,842	\$ 72,578	\$ -5,736
	66,842	72,578	-5,736
Expenses			
Operating costs	23,476	20,479	+2,997
Administrative and general	43,662	42,098	+1,564
Interest	20,749	25,790	-5,041
Amortization	27,168	27,168	-
	115,055	115,535	-480
Loss before income taxes	(48,213)	(42,957)	-5,256
Income tax recovery	(12,776)	(11,383)	-1,393
Net loss	\$ (35,437)	\$ (31,574)	\$ -3,863

### *Review of Results for the Three Months ended December 31, 2017 and 2016*

#### **Solar Energy Production**

Total kW hours delivered for the three months ended December 31, 2017 and 2016 are as follows:

	2017	2016	Change
kW hours produced	105,000	114,000	-9,000 -8%

#### **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 months ended December 31, 2017 compared 2016, the Company produced approximately 8% less electricity and consequently revenue decreased by a similar percentage.

	2017	2016	Change
Solar energy revenue	\$ 66,842	\$ 72,578	-5,736 -8%

## 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.

The increase in operating costs for the three months ended December 31, 2017 compared to 2016 was due to increases in security maintenance costs.

	2017	2016	Change
Operating costs	\$ 23,476	\$ 20,479	+2,997

## 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 for the three months ended December 31, 2017 compared to 2016 was due to an increase in shareholder related costs.

	2017	2016	Change
Administrative and general	\$ 43,662	\$ 42,098	+1,564

## Interest Expense

Interest expense represents interest charged by GCI on the outstanding loan payable. The decrease in interest expense for the three months ended December 31, 2017 compared to 2016 was due to the repayment of \$500,000 of principal during July 2017.

	2017	2016	Change
Interest	\$ 20,749	\$ 25,790	-5,041

## Amortization

Amortization expense represents the amortization of the solar energy generation equipment and remained consistent for the three months ended December 31, 2017 compared to 2016. Amortization is provided for over the estimated useful life of the equipment being 20 years for the solar modules and racking and 10 years for the energy transformer.

	2017	2016	Change
Amortization	\$ 27,168	\$ 27,168	-

## 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 months ended December 31, 2017 compared to 2016.

	2017	2016	Change
Loss before income taxes	\$ (48,213)	\$ (42,957)	-5,256
Income tax recovery	(12,776)	(11,383)	-1,393
Effective tax rate	26.5%	26.5%	

## Net Loss

Net loss for the three months ended December 31, 2017 was \$35,437 compared to \$31,574 for 2016.

	2017	2016	Change
Net loss	\$ (35,437)	\$ (31,574)	-3,863

## Inflation

Inflation has not had a material impact on the results of the Company's operations in its last quarter 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 flow from operations.

	December 31	September 30	Change
	2017	2017	
Working Capital			
Current assets	\$ 330,463	\$ 365,685	\$ -35,222
Current liabilities	43,222	56,996	-13,774
	287,241	308,689	-21,448
Ratio of current assets to current liabilities	7.6	6.4	
Cash	\$ 271,925	\$ 247,146	\$ +24,779

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 decreased by \$21,448 to \$287,241 as at December 31, 2017 compared to \$308,689 as at September 30, 2017 due to increased cash and prepaid expenses, offset by a decrease in accounts receivable and accounts payable.

During the three months ended December 31, 2017 the Company's cash position increased by \$24,779 to \$271,925 from \$247,146 as at September 30, 2017. The net increase was due to the following:

- Operating Activities increased cash by \$45,528. This was a result of \$699 of cash used in operations combined with an increase of \$46,227 from changes in non-cash components of working capital;
- Financing Activities decreased cash by \$20,749 due to interest payments on the loan payable;
- Investing Activities did not impact cash.

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 three months ended December 31, 2017 are summarized as follows:

The Company's solar energy generation project is located on the roof of a property owned by 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 \$15,000 were charged by and paid to Highroad and rent of \$13,203 and administrative services fees of \$1,500 were charged by and paid to GCI.

Director's fees of \$12,500 were paid to independent directors.

Loan payable at December 31, 2017 of \$2,057,970 is due to GCI on August 1, 2019 and bears interest at 4% per annum. During the three months ended December 31, 2017, \$20,749 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 February 9, 2018:

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

## 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, 2017. **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, 2017 and notes 2 and 3 of the Company's unaudited condensed interim financial statements for the three months ended December 31, 2017 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, 2017 and Note 4 of the Company's unaudited condensed interim financial statements for the three months ended December 31, 2017 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 December 31, 2017 and September 30, 2017.

## **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 is currently assessing the potential impact of the adoption of IFRS 9.

### **Revenue Recognition**

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 is currently assessing the potential impact of the adoption of IFRS 15.

### **Leases**

IFRS 16, *Leases*, introduces a new standard replacing IAS 17 Leases, that results in bringing many leases on balance sheet that are considered operating leases under IAS 17. Lessor accounting remains largely unchanged. IFRS 16 is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied. Management is currently assessing the potential impact of the adoption of IFRS 16.

## **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).