

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 2018**

*The following Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and results of operations of Gencan Capital Inc. ("GCC" or the "Company") for the three months ended December 31, 2018. 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, 2018, and audited financial statements and notes thereto and annual MD&A for the fiscal year ended September 30, 2018, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).*

*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 February 20, 2019.

## **THE COMPANY**

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.

The Company is a Canadian Company operating in Canada, and up to July 4, 2018, held a significant interest in solar energy generation equipment located in Cambridge, Ontario, Canada.

On June 28, 2018 the Shareholders of the Company approved, at a special meeting called for this purpose, the sale to Highroad Estates Inc. ("Highroad") of which certain directors and officers are also directors and officers of the Company, the Company's solar energy generation equipment.

On July 4, 2018, pursuant to the purchase and sale agreement, the Company completed the sale of the solar energy generation equipment to Highroad for gross proceeds of \$2,635,000. The sale price was satisfied with a cash payment of \$577,030 and the assumption by Highroad of the loan payable to GCI of \$2,057,970.

## Solar 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 was open to projects with a rated electricity generating capacity greater than 10 kilowatts (kW) and generally up to 500 kW.

The Company through Highroad, 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 managed the project operation on behalf of the Company up to July 4, 2018.

Revenue was earned by the Company up and until July 4, 2018 under a twenty year FIT Program Contract with the IESO at a rate of \$0.635 per kWh delivered to the local utility provider.

## OUTLOOK

The Board and senior management regularly assess the Company’s operating performance and opportunities with a view to providing shareholders with the opportunity to maximize the value of their common shares. The Board concluded that in order to increase shareholder value, it would explore potential change of business opportunities for the Company. To that end and as a first step in the change of the business process, the Company completed the shareholder approved sale of the Company’s solar energy generation equipment. Management continues to evaluate potential new prospects for the Company.

## RESULTS OF OPERATIONS

### Summary of Quarterly Results

	2019	2018				2017		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	\$ 1,585	\$ 12,071	\$180,740	\$ 75,071	\$ 66,842	\$149,165	\$176,570	\$ 75,975
Net income (loss)	(19,555)	640,942	44,542	(40,248)	(35,437)	18,261	44,567	(40,354)
Income (loss) per share	\$ (0.00)	\$ 0.04	\$ 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; “2019”, “2018” and “2017” refer to the twelve month fiscal years ending September 30, 2019, 2018 and 2017.

## RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2018 AND 2017

	Three Months Ended		
	December 31		
	2018	2017	Change
Revenue			
Solar energy generation	\$ -	\$ 66,842	\$ -66,842
Interest income	1,585	-	+1,585
	1,585	66,842	-65,257
Expenses			
Administrative and general	28,190	43,662	-15,472
Amortization	-	27,168	-27,168
Interest	-	20,749	-20,749
Operating costs	-	23,476	-23,476
	28,190	115,055	-86,865
Loss before income taxes	(26,605)	(48,213)	+21,608
Income tax recovery	(7,050)	(12,776)	+5,726
Net loss	\$ (19,555)	\$ (35,437)	\$ +15,882

### *Review of Results for the Three Months ended December 31, 2018 and 2017*

#### **Solar Energy Production**

Total kW hours produced for the three month periods ended December 31, 2018 and 2017 is as follows:

	Three Months Ended		
	December 31		
	2018	2017	Change
kW hours produced	-	105,000	-105,000 -100%

#### **Solar Energy Generation Revenue**

The solar energy generation revenue represents revenue earned from the solar energy generation equipment which was located on the roof of a building owned by GCI, in Cambridge, Ontario, up until July 4, 2018 when the solar equipment was sold to Highroad. 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.

As a result of the sale of the solar equipment, no solar energy generation revenue was earned during the three months ended December 31, 2018.

	Three Months Ended		
	December 31		
	2018	2017	Change
Solar energy revenue	\$ -	\$ 66,842	\$ -66,842 -100%

## Interest Income

Interest income represents interest earned on the Company's cash balances. Subsequent to the sale of the solar energy generation equipment on July 4, 2018, the Company's cash balances increased substantially.

	Three Months Ended		
	December 31		
	2018	2017	Change
Interest income	\$ 1,585	\$ -	\$ +1,585

## Administrative and General Expenses

Administrative and general expenses include audit fees, legal fees, liability insurance, director's fees and shareholder related costs such as transfer agent fees, listing fees, printing and meeting costs as well as management fees paid to Highroad until July 4, 2018 to manage the Company's solar energy generation operation.

The decrease in administrative and general expenses during the three months ended December 31, 2018 compared to December 31, 2017 was mainly due to the sale of the Company's solar energy generation equipment on July 4, 2018 resulting in reduced management fees of \$15,000.

	Three Months Ended		
	December 31		
	2018	2017	Change
Administrative and general	\$ 28,190	\$ 43,662	\$ -15,472

## Amortization

Amortization expense represents the amortization of the solar energy generation equipment which was sold on July 4, 2018. Amortization was being 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.

	Three Months Ended		
	December 31		
	2018	2017	Change
Amortization	\$ -	\$ 27,168	\$ -27,168

## Interest Expense

Interest expense represents interest charged by GCI on the outstanding loan payable. The decrease in interest expense for the three month ended December 31, 2018 compared to December 31, 2017 is due to the assumption of the loan payable by Highroad on the purchase of the Company's solar energy generation equipment on July 4, 2018.

	Three Months Ended		
	December 31		
	2018	2017	Change
Interest	\$ -	\$ 20,749	\$ -20,749

## 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. As the solar energy generation equipment was sold on July 4, 2018, there were no operating costs for the three months ended December 31, 2018.

	Three Months Ended		
	December 31		
	2018	2017	Change
Operating costs	\$ -	\$ 23,476	\$ -23,476

## Income Tax Provision

There is no difference between the Company's statutory tax rate of 26.5% and its effective tax rate for the three months ended December 31, 2018 and December 31, 2017.

	Three Months Ended		
	December 31		
	2018	2017	Change
Loss before income taxes	\$ (26,605)	\$ (48,213)	\$ +21,608
Income tax recovery	(7,050)	(12,776)	+5,726
Effective tax rate	26.5%	26.5%	

## Net Loss

Net loss for the three months ended December 31, 2018 was \$19,555 compared to \$35,437 for the three months ended December 31, 2017.

	Three Months Ended		
	December 31		
	2018	2017	Change
Net loss	\$ (19,555)	\$ (35,437)	\$ +15,882

## 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 on hand and cash flow from operations.

	December 31	September 30	
	2018	2018	Change
Working Capital			
Current assets	\$ 694,721	\$ 896,609	\$ -201,888
Current liabilities	28,571	210,904	-182,333
	666,150	685,705	-19,555
Ratio of current assets to current liabilities	24.3	4.3	
Cash	\$ 678,773	\$ 894,000	\$ -215,227

Working capital is primarily represented by cash and accounts receivable offset by outstanding payables.

The Company's working capital decreased by \$19,555 to \$666,150 as at December 31, 2018 compared to \$685,705 as at September 30, 2018 mainly due to a significant decrease in cash offset by a decrease in income taxes payable.

During the three months ended December 31, 2018 the Company's cash position decreased by \$215,227 to \$678,773 from \$894,000 as at September 30, 2018. The net decrease was due to the following:

- Operating Activities decreased cash by \$215,227. This was a result of \$206,090 of cash used for operations, mainly due to the income tax payment of \$179,485 resulting from the sale of the solar energy generation equipment in July 2018, and a decrease of \$9,137 from changes in non-cash components of working capital;
- Financing Activities did not impact cash;
- Investing Activities did not impact cash.

The Company anticipates that it will require approximately \$135,000 in order to meet its ongoing expected costs for the next twelve months. These costs include insurance, audit fees, director's fees, and shareholder costs. The Company expects to utilize cash on hand in order to service these expenditures.

## 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.

On July 4, 2018, the Company completed the sale of its solar energy generation equipment to Highroad for gross proceeds of \$2,635,000. Part of the consideration was paid by the assumption of the loan payable to GCI of \$2,057,970 with the balance of \$577,030 received in cash. Costs of \$33,389 were incurred in the sale along with the reduction in the net book value of the equipment of \$1,798,512 and prepaid expenses of \$5,175 offset by the reversal of deferred rent of \$26,069 for a net gain of \$823,993. The sale was recorded in the fourth quarter of the fiscal year ending September 30, 2018.

Related party transactions for the three months ended December 31, 2018 are summarized as follows:

The Company has an administrative services agreement with GCI for \$6,000 per annum. Under this agreement administrative services fees of \$1,500 were charged by and paid to GCI.

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

## SHARE DATA

The following table sets forth the Outstanding Share Data for the Company as at February 20, 2019:

	<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, 2018. **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, 2018 and notes 2 and 3 of the Company's unaudited condensed interim financial statements for the three months ended December 31, 2018 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, income taxes recoverable, trade and other payables and income taxes payable 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, 2018 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, 2018 and September 30, 2018.

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

### *New Accounting Standards Adopted*

#### **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. The adoption of IFRS 9 did not have a material impact to the Company.

#### **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. The adoption of IFRS 15 did not have a material impact to the Company.

### *New Accounting Standards Not Yet Effective*

#### **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 annual periods beginning on or after January 1, 2019. The adoption of IFRS 16 is not expected to have a material impact to the Company.

## **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).