

# **GENCAN CAPITAL INC.**

## **Condensed Interim Financial Statements**

**Six Months Ended March 31, 2019 and 2018**

(Unaudited)

*(Expressed in Canadian Dollars)*

### ***Notice of no auditor review***

*Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements (in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor).*

**Gencan Capital Inc.**  
**Condensed Interim Statements of Financial Position**  
**As at March 31, 2019 and September 30, 2018**  
*(Unaudited)*

	March 31 2019	September 30 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 621,694	\$ 894,000
Accounts receivable	5,249	2,007
Prepaid expenses and deposits	4,822	602
Income taxes recoverable	17,445	-
<b>Total assets</b>	<b>\$ 649,210</b>	<b>\$ 896,609</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 11,761	\$ 31,419
Income taxes payable	-	179,485
	11,761	210,904
<b>Shareholders' Equity</b>		
Capital stock	10	10
Retained earnings	637,439	685,695
<b>Total shareholders' equity</b>	<b>637,449</b>	<b>685,705</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 649,210</b>	<b>\$ 896,609</b>

See accompanying notes to the condensed interim financial statements

# Gencan Capital Inc.

## Condensed Interim Statements of Loss and Comprehensive Loss

For the three and six months ended March 31, 2019 and 2018

(Unaudited)

	Three months ended		Six Months Ended	
	2019	2018	2019	2018
<b>Revenue</b>				
Solar energy generation	\$ -	\$ 75,071	\$ -	\$ 141,913
Interest income	1,408	-	2,993	-
	<u>1,408</u>	<u>75,071</u>	<u>2,993</u>	<u>141,913</u>
<b>Expenses</b>				
Administrative and general	40,504	58,850	68,694	102,512
Amortization	-	27,168	-	54,336
Interest	-	20,298	-	41,047
Operating costs	-	23,514	-	46,990
	<u>40,504</u>	<u>129,830</u>	<u>68,694</u>	<u>244,885</u>
<b>Loss before income taxes</b>	<u>(39,096)</u>	<u>(54,759)</u>	<u>(65,701)</u>	<u>(102,972)</u>
Income taxes (recovery)				
Current	(10,395)	-	(17,445)	-
Deferred	-	(14,511)	-	(27,287)
	<u>(10,395)</u>	<u>(14,511)</u>	<u>(17,445)</u>	<u>(27,287)</u>
<b>Loss for the period, also being comprehensive loss</b>	<u>\$ (28,701)</u>	<u>\$ (40,248)</u>	<u>\$ (48,256)</u>	<u>\$ (75,685)</u>
<b>Loss per share</b>				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
<b>Weighted average number of common shares</b>				
Basic and diluted	16,092,284	16,092,284	16,092,284	16,092,284

See accompanying notes to the condensed interim financial statements

# Gencan Capital Inc.

## Condensed Interim Statements of Changes in Equity

For the three and six months ended March 31, 2019 and 2018

(Unaudited)

	Capital Stock		Retained Earnings	Total Equity
	Common shares			
	Number of shares	Amount		
<b>Balance at September 30, 2017</b>	16,092,284	\$ 10	\$ 75,896	\$ 75,906
Net loss	-	-	(75,685)	(75,685)
<b>Balance at March 31, 2018</b>	16,092,284	\$ 10	\$ 211	\$ 221
<b>Balance at September 30, 2018</b>	16,092,284	\$ 10	\$ 685,695	\$ 685,705
Net loss	-	-	(48,256)	(48,256)
<b>Balance at March 31, 2019</b>	16,092,284	\$ 10	\$ 637,439	\$ 637,449

See accompanying notes to the condensed interim financial statements

**Gencan Capital Inc.**  
**Condensed Interim Statements of Cash Flows**  
**For the six months ended March 31, 2019 and 2018**  
*(Unaudited)*

	2019	2018
<b>Operating activities</b>		
Net loss	\$ (48,256)	\$ (75,685)
<b>Adjustments to reconcile net loss to net cash flows:</b>		
Amortization	-	54,336
Current income taxes	(17,445)	-
Deferred income taxes	-	(27,287)
Deferred rent	-	(807)
Income taxes paid	(179,485)	-
Interest expense	-	41,047
	(245,186)	(8,396)
<b>Changes in non-cash components of working capital:</b>		
Accounts receivable	(3,242)	26,219
Prepaid expenses and deposits	(4,220)	2,597
Accounts payable and accrued liabilities	(19,658)	(38,155)
<b>Net cash flows used in operating activities</b>	<b>(272,306)</b>	<b>(17,735)</b>
<b>Financing activities</b>		
Interest paid	-	(41,047)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>(41,047)</b>
<b>Net decrease in cash</b>	<b>(272,306)</b>	<b>(58,782)</b>
<b>Cash, beginning of period</b>	<b>894,000</b>	<b>247,146</b>
<b>Cash, end of period</b>	<b>\$ 621,694</b>	<b>\$ 188,364</b>

See accompanying notes to condensed interim financial statements

# Gencan Capital Inc.

## Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2019 and 2018

(Unaudited)

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### 1. NATURE OF OPERATIONS

#### *Nature of operations*

Gencan Capital Inc. (“the Company”) is a Canadian company and up until July 4, 2018 was the holder of a Solar Energy Feed-In Tariff Program Contract with an interest in solar energy generation equipment located in Ontario, Canada. The Company was incorporated on October 31, 2013 and has its registered office address at 106 Avenue Road, Toronto, Ontario, M5R 2H3.

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.

On July 4, 2018, the Company sold its solar equipment to Highroad Estates Inc. (“Highroad”), a company of which certain directors and officers are also directors and officers of the Company, for gross proceeds of \$2,635,000. See Note 5.

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

#### (a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). These statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company’s annual audited financial statements for the fiscal year ended September 30, 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB.

These condensed interim financial statements were authorized for issue by the Board of Directors on May 21, 2019.

The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as of the date of authorization.

#### (b) Basis of preparation

These condensed interim financial statements are presented in Canadian dollars. The financial statements are prepared on the historical cost basis.

These condensed interim financial statements follow the same significant accounting policies and critical judgments in the application of those policies as described in the Company’s audited financial statements for the fiscal year ended September 30, 2018 and have been applied consistently in the preparation of these condensed interim financial statements.

#### *New Accounting Standards Adopted*

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.

IFRS 15, *Revenue Recognition*, provides 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.

# Gencan Capital Inc.

## Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2019 and 2018

(Unaudited)

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### *New Accounting Standards Not Yet Effective*

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 an impact to the Company.

### **3. SIGNIFICANT ACCOUNTING ESTIMATES**

The preparation of these condensed interim 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 condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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 provision for income taxes recovery for the period of \$17,445 (2018: \$27,287).

### **4. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

#### *Fair Value Measurement*

The Company does not have any financial assets or liabilities measured at fair value.

#### *Fair Value Disclosures*

Fair value represents management's estimates of the market value at a given point in time, which may not reflect fair value in the future. These calculations are subjective in nature, involve uncertainties and are a matter of judgement and therefore cannot be determined with precision.

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

# Gencan Capital Inc.

## Notes to the Condensed Interim Financial Statements

For the six months ended March 31, 2019 and 2018

(Unaudited)

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### 5. 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.

On July 4, 2018, the Company completed the sale of its solar 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.

Significant related party transactions for the six months ended March 31, 2019 and 2018 and balances as of March 31, 2019 and September 30, 2018 not disclosed elsewhere in these condensed interim financial statements are as follows:

The Company's solar energy generation project was located on the roof of a property owned by GCI. The roof was being rented by the Company from GCI for \$52,813 per annum ending in August 2034. This lease was assumed by Highroad on the purchase of the Company's solar equipment.

The Company had entered into an agreement Highroad to manage the solar energy operation for \$60,000 per annum. This agreement was suspended on Highroad's purchase of the Company's solar equipment.

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

Under the above agreements, management fees of \$Nil (2018: \$30,000) were charged by and paid to Highroad and rent of \$Nil (2018 \$26,407) and administrative services fees of \$3,000 (2018: \$3,000) were charged by and paid to GCI.

Directors fees of \$25,000 (2018: \$25,000) were paid to independent directors.

The Company had a loan payable to GCI of \$2,057,970 up to July 4, 2018, which was due on August 1, 2018 bearing interest at 4% per annum. During the six months ended March 31, 2019, \$Nil (2018: \$41,047) of interest was charged and paid under this loan. The full amount of the loan was assumed by Highroad on the purchase of the Company's solar equipment.

The Company did not directly pay any remuneration to key management (other than to independent directors as noted above) for the six months ended March 31, 2019 or 2018. Key management remuneration (other than director's fees) is included in the above management and administration fees.