

GENCAN CAPITAL INC.

Condensed Interim Financial Statements

Nine Months Ended June 30, 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 June 30, 2019 and September 30, 2018
(Unaudited)

	June 30 2019	September 30 2018
Assets		
Current assets		
Cash	\$ 598,219	\$ 894,000
Accounts receivable	1,333	2,007
Prepaid expenses and deposits	2,682	602
Income taxes recoverable	28,349	-
Total assets	\$ 630,583	\$ 896,609
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 23,316	\$ 31,419
Income taxes payable	-	179,485
	23,316	210,904
Shareholders' Equity		
Capital stock	10	10
Retained earnings	607,257	685,695
Total shareholders' equity	607,267	685,705
Total liabilities and shareholders' equity	\$ 630,583	\$ 896,609

See accompanying notes to the condensed interim financial statements

Gencan Capital Inc.

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended June 30, 2019 and 2018

(Unaudited)

	Three months ended		Nine Months Ended	
	2019	2018	2019	2018
Revenue				
Solar energy generation	\$ -	\$ 180,740	\$ -	\$ 322,653
Interest income	1,533	-	4,526	-
	<u>1,533</u>	<u>180,740</u>	<u>4,526</u>	<u>322,653</u>
Expenses				
Administrative and general	42,619	48,893	111,313	151,405
Amortization	-	27,168	-	81,504
Interest	-	20,523	-	61,570
Operating costs	-	23,555	-	70,545
	<u>42,619</u>	<u>120,139</u>	<u>111,313</u>	<u>365,024</u>
Income (loss) before income taxes	<u>(41,086)</u>	<u>60,601</u>	<u>(106,787)</u>	<u>(42,371)</u>
Income taxes (recovery)				
Current	(10,904)	-	(28,349)	-
Deferred	-	16,059	-	(11,228)
	<u>(10,904)</u>	<u>16,059</u>	<u>(28,349)</u>	<u>(11,228)</u>
Income (loss) for the period, also being comprehensive income (loss)	<u>\$ (30,182)</u>	<u>\$ 44,542</u>	<u>\$ (78,438)</u>	<u>\$ (31,143)</u>
Income (loss) per share				
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares				
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 nine months ended June 30, 2019 and 2018

(Unaudited)

	Capital Stock		Retained Earnings	Total Equity
	Common shares			
	Number of shares	Amount		
Balance at September 30, 2017	16,092,284	\$ 10	\$ 75,896	\$ 75,906
Net loss	-	-	(31,143)	(31,143)
Balance at June 30, 2018	16,092,284	\$ 10	\$ 44,753	\$ 44,763
Balance at September 30, 2018	16,092,284	\$ 10	\$ 685,695	\$ 685,705
Net loss	-	-	(78,438)	(78,438)
Balance at June 30, 2019	16,092,284	\$ 10	\$ 607,257	\$ 607,267

See accompanying notes to the condensed interim financial statements

Gencan Capital Inc.
Condensed Interim Statements of Cash Flows
For the nine months ended June 30, 2019 and 2018
(Unaudited)

	2019	2018
Operating activities		
Net loss	\$ (78,438)	\$ (31,143)
Adjustments to reconcile net loss to net cash flows:		
Amortization	-	81,504
Current income taxes	(28,349)	-
Deferred income taxes	-	(11,228)
Deferred rent	-	(1,210)
Income taxes paid	(179,485)	-
Interest expense	-	61,570
	(286,272)	99,493
Changes in non-cash components of working capital:		
Accounts receivable	674	(44,901)
Prepaid expenses and deposits	(2,080)	671
Accounts payable and accrued liabilities	(8,103)	(17,920)
Net cash flows from (used in) operating activities	(295,781)	37,343
Financing activities		
Interest paid	-	(61,570)
Net cash flows used in financing activities	-	(61,570)
Net decrease in cash	(295,781)	(24,227)
Cash, beginning of period	894,000	247,146
Cash, end of period	\$ 598,219	\$ 222,919

See accompanying notes to condensed interim financial statements

Gencan Capital Inc.

Notes to the Condensed Interim Financial Statements

For the nine months ended June 30, 2019 and 2018

(Unaudited)

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 August 23, 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 nine months ended June 30, 2019 and 2018

(Unaudited)

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 \$28,349 (2018: \$11,228).

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 nine months ended June 30, 2019 and 2018

(Unaudited)

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 nine months ended June 30, 2019 and 2018 and balances as of June 30, 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 with 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: \$45,000) were charged by and paid to Highroad and rent of \$Nil (2018 \$39,610) and administrative services fees of \$4,500 (2018: \$4,500) were charged by and paid to GCI.

Directors fees of \$37,500 (2018: \$37,500) 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 nine months ended June 30, 2019, \$Nil (2018: \$61,570) 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 nine months ended June 30, 2019 or 2018. Key management remuneration (other than director's fees) is included in the above management and administration fees.