

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

*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 fiscal year ended September 30, 2019. This MD&A should be read in conjunction with the Company's audited financial statements and notes thereto for the fiscal year ended September 30, 2019, included elsewhere herein.*

*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 January 21, 2020.

## **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 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

### Summary of Quarterly Results

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	\$ 1,733	\$ 1,533	\$ 1,408	\$ 1,585	\$ 12,071	\$ 180,740	\$ 75,071	\$ 66,842
Net income (loss)	(26,963)	(30,182)	(28,701)	(19,555)	640,942	44,542	(40,248)	(35,437)
Income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.04	\$ 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” and “2018” refer to the twelve month fiscal years ending September 30, 2019 and 2018.

## Selected Annual Information

	Fiscal Years Ended September 30	
	2019	2018
Revenue	\$ 6,259	\$ 334,724
Net income (loss)	(105,401)	609,799
Distributions per share:		
Common shares	\$ -	\$ -
	September 30	September 30
	2019	2018
Assets	\$ 598,694	\$ 896,609
Non-current financial liabilities	-	-

## RESULTS FOR THE THREE MONTHS AND FISCAL YEARS ENDED SEPTEMBER 30, 2019 AND SEPTEMBER 30, 2018

	Three Months Ended September 30			Year Ended September 30		
	2019	2018	Change	2019	2018	Change
Revenue						
Solar energy generation	\$ -	\$ 10,509	\$ -10,509	\$ -	\$ 333,162	\$ -333,162
Interest income	1,733	1,562	+171	6,259	1,562	+4,697
	1,733	12,071	-10,338	6,259	334,724	-328,465
Expenses						
Administrative and general	38,440	28,948	+9,492	149,753	180,353	-30,600
Amortization	-	-	-	-	81,504	-81,504
Interest	-	902	-902	-	62,472	-62,472
Operating costs	-	2,109	-2,109	-	72,654	-72,654
	38,440	31,959	+6,481	149,753	396,983	-247,230
Gain on sale of solar equipment	-	823,993	-823,993	-	823,993	-823,993
Income (loss) before income taxes	(36,707)	804,105	-840,812	(143,494)	761,734	-905,228
Income tax expense (recovery)	(9,744)	163,163	-172,907	(38,093)	151,935	-190,028
Net income (loss)	\$ (26,963)	\$ 640,942	\$ -667,905	\$ (105,401)	\$ 609,799	\$ -715,200

## Review of Results for the Three Months and Fiscal Years ended September 30, 2019 and 2018

### Solar Energy Production

Total kW hours produced for the three and twelve month periods ended September 30, 2019 and 2018 is as follows:

	Three Months Ended September 30			Year Ended September 30		
	2019	2018	Change	2019	2018	Change
kW hours produced	-	17,000	-17,000 -100%	-	525,000	-525,000 -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 to 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 and twelve months ended September 30, 2019.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Solar energy revenue	\$ -	\$ 10,509	\$ -10,509 -100%	\$ -	\$ 333,162	\$ -333,162 -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			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Interest income	\$ 1,733	\$ 1,562	\$ +171	\$ 6,259	\$ 1,562	\$ +4,697

## 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 twelve months ended September 30, 2019 compared to 2018 was mainly due to the sale of the Company's solar energy generation equipment on July 4, 2018 resulting in reduced management fees offset by an increase in legal fees and costs related to exploring new potential business opportunities.

The increase in administrative and general expenses during the three months ended September 30, 2019 compared to 2018 was mainly due to increase in legal fees offset by a reduction in audit fees.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Administrative and general	\$ 38,440	\$ 28,948	\$ +9,492	\$ 149,753	\$ 180,353	\$ -30,600

## 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			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Amortization	\$ -	\$ -	\$ -	\$ -	\$ 81,504	\$ -81,504

## Interest Expense

Interest expense represents interest charged by GCI on the outstanding loan payable. The decrease in interest expense for the three and twelve month periods ended September 30, 2019 compared to 2018 was 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			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Interest	\$ -	\$ 902	\$ -902	\$ -	\$ 62,472	\$ -62,472

## 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 and twelve months ended September 30, 2019.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Operating costs	\$ -	\$ 2,109	\$ -2,109	\$ -	\$ 72,654	\$ -72,654

## Gain on Sale of Solar Equipment

On July 4, 2018, the Company completed the sale of its solar energy generation equipment to Highroad for gross proceeds of \$2,635,000. The net gain on sale of \$823,993 resulted from the gross proceeds less the net carrying amount of the equipment at the time of sale of \$1,798,512, the write off of prepaid expenses of \$5,175 and costs incurred of \$33,389 offset by the reversal of deferred rent of \$26,069.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Gain on sale of solar equipment	\$ -	\$ 823,993	\$ -823,993	\$ -	\$ 823,993	\$ -823,993

## Income Tax Provision

The difference between the Company's statutory tax rate of 26.5% and its effective tax rate for the three and twelve month periods ended September 30, 2019 compared to 2018 is due to the non-taxable portion of capital gains related to the gain on sale of solar equipment on July 4, 2018.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Income (loss) before income taxes	\$ (36,707)	\$ 804,105	\$ -840,812	\$ (143,494)	\$ 761,734	\$ -905,228
Income tax expense (recovery)	(9,744)	163,163	-172,907	(38,093)	151,935	-190,028
Effective tax rate	26.5%	20.3%		26.5%	19.9%	

## Net Income (Loss)

Net loss for the three months ended September 30, 2019 was \$26,963 compared to net income of \$640,942 for the three months ended September 30, 2018. Net loss for the twelve months ended September 30, 2019 was \$105,401 compared to net income of \$609,799 for the twelve months ended September 30, 2018. The main reason for the substantial decrease in income is the gain on sale of the solar energy generation equipment on July 4, 2018.

	Three Months Ended			Year Ended		
	September 30			September 30		
	2019	2018	Change	2019	2018	Change
Net income (loss)	\$ (26,963)	\$ 640,942	\$ -667,905	\$ (105,401)	\$ 609,799	\$ -715,200

## 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 and cash equivalents on hand and cash flow from operations.

	September 30	September 30	Change
	2019	2018	
Working Capital			
Current assets	\$ 598,694	\$ 896,609	\$ -297,915
Current liabilities	18,390	210,904	-192,514
	580,304	685,705	-105,401
Ratio of current assets to current liabilities	32.6	4.3	
Cash and cash equivalents	\$ 556,560	\$ 894,000	\$ -337,440

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

The Company's working capital decreased by \$105,401 to \$580,304 as at September 30, 2019 compared to \$685,705 as at September 30, 2018 due to a significant decrease in cash and cash equivalents and a decrease in income taxes payable.

During the twelve months ended September 30, 2019 the Company's cash and cash equivalents position decreased by \$337,440 to \$556,560 from \$894,000 as at September 30, 2018. The net decrease was due to the following:

- Operating Activities decreased cash by \$337,440. This was a result of \$322,979 of cash used in operations and a decrease of \$14,461 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 \$130,000 in order to meet its ongoing expected costs for the next twelve months. These costs include insurance, audit fees, director's fees, and shareholder related costs. The Company expects to utilize cash and cash equivalents 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.

Related party transactions for the fiscal year ended September 30, 2019 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 \$6,000 were charged by and paid to GCI.

Director's fees of \$50,000 were paid to independent directors.

## **SHARE DATA**

**The following table sets forth the Outstanding Share Data for the Company as at January 21, 2020:**

	<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 below. **The risks and uncertainties discussed herein 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.**

### **Cash Deposits Held At Banks May Exceed The Amounts Of Insurance Provided On Such Deposits And Any Loss Arising Therefrom Could Have A Material Adverse Effect On The Company's Financial Condition And Results Of Operations**

Deposits held with banks may exceed the amount of insurance provided on such deposits. If the Company were to suffer a loss as a result of a failure of one of these Banks and the insurance provided thereon was insufficient to cover the amount of the deposit, results of operations may suffer. This could adversely affect financial condition and cash flow.

### **The Need To Maintain Liquidity And The Company's Financial Condition Could Be Adversely Affected By Market And Economic Conditions**

A liquidity risk arises from the Company's management of working capital and principal repayments on its debt obligations to avoid difficulty in meeting its financial obligations as they become due. Liquidity is essential to the Company and may be impaired by circumstances that management may be unable to control, such as general market disruption or an operational problem which in turn could affect the Company's financial condition and ability to satisfy debt service obligations.

### **General Uninsured Losses May Result In The Company Losing Its Investment In And Cash Flows From Equipment And Could Reduce Net Income**

When required, the Company carries comprehensive general liability with policy specifications, limits and deductibles customarily carried for similar equipment. There are however certain types of risks (generally of a catastrophic nature such as wars or environmental contamination) that are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, the value of the Company's assets would be reduced by any such uninsured loss. In addition, the Company could lose its investment in and anticipated revenues, profits and cash flows from its equipment, but would continue to be obliged to repay any recourse indebtedness on such equipment which in turn would reduce net income. Accordingly an uninsured or underinsured loss could impact the Company's financial condition.

### **It May Be Difficult To Sell Shares Of The Company Due To Limited Trading Volume**

The securities of the Company were listed on the Canadian Securities Exchange on October 30, 2015 and have since experienced very limited trading volume. As a result there may be less coverage by security analysts, the trading price may be lower, and it may be more difficult for shareholders to dispose of the Company's securities.



## **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, 2019 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, 2019 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 September 30, 2019 and 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. On adoption of IFRS 9, in accordance with transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at October 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at fair value through profit or loss (FVTPL) as such, the adoption of IFRS did not impact the Company's accounting policies for financial liabilities. 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, with earlier adoption permitted if IFRS 15 has also been applied. 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).