

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED DECEMBER 31, 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 three months ended December 31, 2019. 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, 2019, and audited financial statements and notes thereto and annual MD&A for the fiscal year ended September 30, 2019, 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 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.

## **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

|                         | 2020      | 2019      |           |           |           | 2018      |           |           |
|-------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                         | Q1        | Q4        | Q3        | Q2        | Q1        | Q4        | Q3        | Q2        |
| Revenue                 | \$ 1,759  | \$ 1,733  | \$ 1,533  | \$ 1,408  | \$ 1,585  | \$ 12,071 | \$180,740 | \$ 75,071 |
| Net income (loss)       | (18,962)  | (26,963)  | (30,182)  | (28,701)  | (19,555)  | 640,942   | 44,542    | (40,248)  |
| Income (loss) per share | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ (0.00) | \$ 0.04   | \$ 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; “2020”, “2019” and “2018” refer to the twelve month fiscal years ending September 30, 2020, 2019 and 2018.

### RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2019 AND 2018

|                            | Three Months Ended |             |         |
|----------------------------|--------------------|-------------|---------|
|                            | December 31        |             |         |
|                            | 2019               | 2018        | Change  |
| Revenue                    |                    |             |         |
| Interest income            | \$ 1,759           | \$ 1,585    | \$ +174 |
| Expenses                   |                    |             |         |
| Administrative and general | 27,558             | 28,190      | -632    |
| Loss before income taxes   | (25,799)           | (26,605)    | +806    |
| Income tax recovery        | (6,837)            | (7,050)     | +213    |
| Net loss                   | \$ (18,962)        | \$ (19,555) | \$ +593 |

### Review of Results for the Three Months ended December 31, 2019 and 2018

#### 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        |          |         |
|                 | 2019               | 2018     | Change  |
| Interest income | \$ 1,759           | \$ 1,585 | \$ +174 |

## 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.

The decrease in administrative and general expenses during the three months ended December 31, 2019 compared to December 31, 2018 was mainly due to a reduction in liability insurance, audit fees and shareholder costs offset by an increase in tax consulting fees.

|                            | Three Months Ended |           |         |
|----------------------------|--------------------|-----------|---------|
|                            | December 31        |           |         |
|                            | 2019               | 2018      | Change  |
| Administrative and general | \$ 27,558          | \$ 28,190 | \$ -632 |

## 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, 2019 and December 31, 2018.

|                          | Three Months Ended |             |         |
|--------------------------|--------------------|-------------|---------|
|                          | December 31        |             |         |
|                          | 2019               | 2018        | Change  |
| Loss before income taxes | \$ (25,799)        | \$ (26,605) | \$ +806 |
| Income tax recovery      | (6,837)            | (7,050)     | +213    |
| Effective tax rate       | 26.5%              | 26.5%       |         |

## Net Loss

Net loss for the three months ended December 31, 2019 was \$18,962 compared to \$19,555 for the three months ended December 31, 2018.

|          | Three Months Ended |             |         |
|----------|--------------------|-------------|---------|
|          | December 31        |             |         |
|          | 2019               | 2018        | Change  |
| Net loss | \$ (18,962)        | \$ (19,555) | \$ +593 |

## 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 |            |
|--|-------------|--------------|------------|
|  | 2019        | 2019         | Change     |
| Working Capital                                |             |              |            |
| Current assets                                 | \$ 585,592  | \$ 598,694   | \$ -13,102 |
| Current liabilities                            | 24,250      | 18,390       | +5,860     |
|  | 561,342     | 580,304      | -18,962    |
| Ratio of current assets to current liabilities | 24.1        | 32.6         |            |
| Cash and cash equivalents                      | \$ 534,269  | \$ 556,560   | \$ -22,291 |

Working capital is primarily represented by cash, accounts receivable and income taxes recoverable offset by outstanding accounts payable.

The Company's working capital decreased by \$18,962 to \$561,342 as at December 31, 2019 compared to \$580,304 as at September 30, 2019 mainly due to a decrease in cash offset by an increase in accounts payable.

During the three months ended December 31, 2019 the Company's cash position decreased by \$22,291 to \$534,269 from \$556,560 as at September 30, 2019. The net decrease was due to the following:

- Operating Activities decreased cash by \$22,291. This was a result of \$25,799 of cash used for operations and an increase of \$3,508 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 \$120,000 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.

Related party transactions for the three months ended December 31, 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 \$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 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 in the Company's MD&A for the year ended September 30, 2019. **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, 2019 and notes 2 and 3 of the Company's unaudited condensed interim financial statements for the three months ended December 31, 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, 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, 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 December 31, 2019 and September 30, 2019.

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

### *New Accounting Standards Adopted*

#### **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. The adoption of IFRS 16 did not have any 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).