GENCAN CAPITAL INC.

Financial Statements

Years Ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Gencan Capital Inc.

Opinion

We have audited the financial statements of Gencan Capital Inc. (the Entity), which comprise the statements of financial position as at September 30, 2020 and 2019, and the statements of loss and comprehensive loss , changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- The information, other than the consolidated financial statements and our auditor's report thereon, included in the Annual report and
- The information included in the Management's Discussion and Analysis for the years ended September 30, 2020 and 2019.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Bradley Tagieff, CPA, CA.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

January 19, 2021
Toronto, Ontario

Gencan Capital Inc.
Statements of Financial Position
As at September 30, 2020 and 2019

	Notes		September 30 2020		September 30 2019
Assets					
Current assets					
Cash and cash equivalents		$	484,493	$	556,560
Accounts receivable			1,192		3,524
Prepaid expenses and deposits			374		517
Income taxes recoverable	6		29,794		38,093
Total assets		$	515,853	$	598,694
Liabilities and Shareholders' Equity					
Current liabilities					
Accounts payable and accrued liabilities		$	18,191	$	18,390
Shareholders' Equity					
Capital stock	5		10		10
Retained earnings			497,652		580,294
Total shareholders' equity			497,662		580,304
Total liabilities and shareholders' equity		$	515,853	$	598,694

Approved on behalf of the Board:

"Fred A. Litwin" Director

"Stan Abramowitz" Director

See accompanying notes to the financial statements

Gencan Capital Inc.

Statements of Loss and Comprehensive Loss
For the years ended September 30, 2020 and 2019

	Notes	Year Ended September 30 2020	2019
Revenue			
Interest income		$ 3,850	$ 6,259
Expenses			
Administrative and general	*10*	116,288	149,753
Loss before income taxes		(112,438)	(143,494)
Income taxes recovery			
Current	*6*	(29,796)	(38,093)
Loss for the period, also being comprehensive loss		$ (82,642)	$ (105,401)
Loss per share			
Basic and diluted	*7*	$ (0.01)	$ (0.01)
Weighted average number of common shares			
Basic and diluted	*7*	16,092,284	16,092,284

See accompanying notes to the financial statements

Gencan Capital Inc.
Statements of Changes in Equity
For the years ended September 30, 2020 and 2019

	Capital Stock						
	Common shares						
	Number of shares		Amount		Retained Earnings		Total Equity
Balance at September 30, 2018	16,092,284	$	10	$	685,695	$	685,705
Net Loss	-		-		(105,401)		(105,401)
Balance at September 30, 2019	16,092,284	$	10	$	580,294	$	580,304
Balance at September 30, 2019	16,092,284	$	10	$	580,294	$	580,304
Net loss	-		-		(82,642)		(82,642)
Balance at September 30, 2020	16,092,284	$	10	$	497,652	$	497,662

See accompanying notes to the financial statements

Gencan Capital Inc.

Statements of Cash Flows

For the years ended September 30, 2020 and 2019

		Year Ended September 30	
	Notes	**2020**	**2019**
Operating activities			
Net loss		$ (82,642)	$ (105,401)
Adjustments to reconcile net loss to net cash flows:			
Current income taxes recovery	6	(29,796)	(38,093)
Income taxes recovered (paid)		38,095	(179,485)
		(74,343)	(322,979)
Changes in non-cash components of working capital:			
Accounts receivable		2,332	(1,517)
Prepaid expenses and deposits		143	85
Accounts payable and accrued liabilities		(199)	(13,029)
Net cash flows used in operating activities		(72,067)	(337,440)
Cash flows from financing activities		-	-
Cash flows from investing activities		-	-
Net decrease in cash		(72,067)	(337,440)
Cash and cash equivalents, beginning of period		556,560	894,000
Cash and cash equivalents, end of period		$ 484,493	$ 556,560

See accompanying notes to the financial statements

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 interests 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 ("CSE") under the symbol "GCA". GCI currently retains a 78% controlling interest in the Company.

The Company has received notice from the CSE that it does not currently meet the CSE's Continued Listing Requirements and that if these requirements are not met within nine months effective July 8, 2020, the CSE will either suspend the Company pending delisting 90 days thereafter, assign the Company a different industry classification, or designate the Company as inactive. Management is evaluating potential alternatives in order for the Company to meet the CSE requirements within the time period.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Company prepares financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The policies applied in these financial statements are based on IFRS issued and effective as of September 30, 2020.

These financial statements were authorized for issue by the Board of Directors on January 19, 2021.

(b) Functional currency

These financial statements are presented in Canadian dollars, the Company's functional currency.

(c) Basis of measurement

These financial statements are prepared on the historical cost basis.

(d) Critical judgements in the application of accounting policies

The following are the critical judgements that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the financial statements:

Deferred income taxes: The Company's policy for deferred income taxes is described in note 3(g). In applying this policy, the Company makes judgements in determining whether the recoverability of deferred income tax assets is probable.

Impairment of financial assets: The Company's policy for the recognition of an impairment of financial assets is described in note 3(c). In applying this policy, the Company makes judgements in determining whether an event has occurred to cause the value of the underlying asset to become impaired. The Company has determined that none of its financial assets are impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

(b) Foreign currencies

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at period end rates are recognized in the statements of income and comprehensive income.

(c) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities.

Classification of financial instruments:

The Company's financial assets and liabilities can be classified into any of the following specified categories: i) financial assets at amortized cost, ii) financial assets at fair value through profit and loss ("FVTPL"), iii) financial assets at fair value through other comprehensive income ("FVOCI"), iv) financial liabilities at FVTPL and v) financial liabilities at amortized cost. The classification depends on the nature and purpose of the financial assets and liabilities and is determined at the time of initial recognition.

Amortized cost: The Company's financial assets classified as amortized cost include cash and cash equivalents and accounts receivable.

(i) Cash and cash equivalents are initially recognized at the fair value that is directly attributable to the acquisition or issue. They are carried in the statements of financial position at amortized cost using the effective interest rate method. The Company does not hold any asset backed commercial paper.

(ii) Accounts receivable consist of interest receivable and sales taxes recoverable. These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material. All other gains or losses are recognized when the instrument is removed from the statement of financial position.

The Company's financial liabilities classified as amortized cost include accounts payable and accrued liabilities.

(i) Accounts payable and accrued liabilities consist primarily of trade payables. They are initially recognized at the fair value that is directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method. The effect of discounting on these financial instruments is not considered to be material.

Fair value of financial instruments:

Financial instruments that are recorded at fair value on the statements of financial position or disclosed at fair value in the notes to the financial statements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company does not have any financial instruments which are measured at fair value. See Note 8(f) for fair value disclosures of financial instruments.

Impairment of financial assets:

The Company uses the expected credit loss ("ECL") model for determining impairment of financial assets. This applies to financial assets measured at amortized cost.

For an explanation of how the Company applies ECL, see Note 8(e).

(d) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(e) Revenue recognition

The Company currently does not earn any revenue other than interest income.

(f) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

(g) Income taxes

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. This amount is measured using tax rates that have been enacted or substantively enacted at the end of the year.

The Company follows the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and tax basis of assets and liabilities and the benefit of tax losses available to be carried forward for tax purposes.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Deferred income tax assets are recorded in the financial statements if realization is considered probable. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the year that the rate changes.

(h) Earnings per share

Basic earnings per common share is calculated by dividing the earnings attributed to common shareholders for the year by the weighted average number of common shares outstanding in the year. Diluted earnings per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company does not have any potential common shares issuable.

(i) Segment reporting

A segment is a component of the Company that: i) engages in business activities from which it may earn revenue and incur expenses, ii) whose operating results are reviewed by the board of directors, and iii) for which discrete financial information is available. Management of the Company has identified one reportable industry segment, corporate matters, with all assets located in Ontario, Canada.

(j) New accounting standards adopted

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.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of these 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 financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 following:

(i) the recoverability of accounts receivable and prepayments totaling $1,566 (2019: $4,041); and

(ii) the provision for income taxes recovery of $29,796 (2019: $38,093 recovery).

5. CAPITAL STOCK AND EQUITY

<u>Capital stock</u>

Authorized
Unlimited Common shares, no par value

Issued and outstanding

	September 30	
	2020	**2019**
16,092,284 Common Shares (2019: 16,092,284)	$ 10	$ 10

6. INCOME TAXES

The income of the Company is subject to income tax at a combined federal and provincial rate of 26.5%. There is no difference between the Company's effective tax rate and the combined statutory tax rate.

	Year Ended September 30	
	2020	**2019**
Net loss before income taxes	$ (112,438)	$ (143,494)
Statutory combined income tax rates	26.50%	26.50%
Income tax recovery computed at statutory tax rates	(29,796)	(38,093)
Total income tax recovery	$ (29,796)	$ (38,093)

Deferred income tax is calculated using a tax rate of 26.5%. The Company does not have any tax effects of temporary differences that give rise to significant portions of deferred income tax assets or liabilities.

7. EARNINGS (LOSS) PER SHARE

(a) Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of common shares in issue during the period.

	Year Ended September 30	
	2020	**2019**
Net loss for the year	$ (82,642)	$ (105,401)
Weighted average number of common shares (see Note 5)	16,092,284	16,092,284
Basic and diliuted loss per share	$ (0.01)	$ (0.01)

(b) Diluted loss per share is the same as basic loss per share as there are no potential common share issuances.

8. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company is exposed to various risks as it relates to these financial instruments. The risks and processes for managing the risks are set out below:

(a) Liquidity risk

Liquidity risk arises from the Company's management of working capital and principal repayments on its debt obligations. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's objective is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this goal the Company seeks to maintain cash balances to meet expected requirements for a period of twelve months. At the date of the statement of financial position, the Company expected to generate sufficient liquid resources to meet its obligations under all reasonable expected circumstances.

Accounts payable and accrued liabilities are due within one year.

The Company's does not have any major contractual obligations outstanding as of September 30, 2020.

(b) Foreign exchange risk

Currency risk is the risk that a variation in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. Any currency gains or losses are included in the consolidated statements of income and comprehensive income.

At September 30, 2020, the Company had a negligible amount of monetary asset or liabilities denominated in foreign currencies and had no outstanding foreign exchange commitments. The Company does not undertake currency hedging activities.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company has not used derivative financial instruments to alter its exposure to interest rate risk.

As of September 30, 2020, the Company has not exposed itself to fluctuations in interest rates that are inherent in such a market.

(d) Other price risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Company does not have any financial instruments subject to this risk.

(e) Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivables. The Company does not have any significant amounts outstanding which are past due or impaired.

Cash is maintained at one financial institution. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk. Any interest due is included with accounts receivable.

(f) Fair value of financial assets and liabilities

Fair Value Measurement

The Company does not have any financial assets or liabilities which are 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 cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short-term nature of these instruments.

9. CAPITAL RISK MANAGEMENT

The Company's primary objective when managing capital is to create and maximize shareholder value. Subsequent to the sale of its solar energy generation equipment in 2018, the Company continues to evaluate potential new business prospects.

The Company considers its total capitalization to consist of Common share capital and accumulated retained earnings. Management reviews its capital management approach on an ongoing basis.

As at September 30, 2020 the Company did not have any externally imposed capital requirements.

The following table provides a summary of certain information with respect to the Company's capital structure and financial position as at September 30, 2020 and 2019:

	September 30	
	2020	**2019**
Shareholders' equity	$ 497,662	$ 580,304

10. 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.

Significant related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

The Company has entered into an administrative services agreement with GCI for $6,000 per annum. Under this agreement, administrative services fees of $6,000 (2019: $6,000) were charged by and paid to GCI.

Director's fees of $50,000 (2019: $50,000) were paid to independent directors.

The Company did not directly pay any remuneration to key management (other than to independent directors as noted above) for the years ended September 30, 2020 and 2019.

11. COVID-19 IMPACT

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus, the "COVID-19" outbreak. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As the impacts of COVID-19 in Canada and on the global economy continue, there could be further challenges to management in finding a new business which would allow it to regain compliance with the CSE's continued listing requirements (see Note 1).

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations at this time.