

CAPRICORN BUSINESS ACQUISITIONS INC.
(A Capital Pool Corporation)

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED OCTOBER 31, 2017

December 20, 2017

The following Management’s Discussion and Analysis (“MD&A”) of the operating results and financial position of Capricorn Business Acquisitions Inc. (“Capricorn” or the “Company”) is supplementary to, and should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three and six months ended October 31, 2017, as well as the audited financial statements of the Company for the year ended April 30, 2017 (“Fiscal 2017”). The Company’s unaudited condensed interim financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are in Canadian dollars unless stated otherwise.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking statements which by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared, but cautions the reader that they could cause actual results to differ materially from those anticipated.

Company Profile

Capricorn was incorporated under the Business Corporations Act (Ontario) on May 7, 2008 and is classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the “TSX-V” or the “Exchange”) Policy 2.4. The Company has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a Qualifying Transaction, as defined in Exchange Policy 2.4.

As at December 20, 2017, members of the Company’s management team and Board of Directors consisted of:

Name	Position
Yvan Routhier	Chief Executive Officer, Chairman of the Board and Director
Gerald Goldberg	Chief Financial Officer, Director
David Posner	Director
Oleksandr Storcheus	Director
Yisroel Weinreb	Director

Recent Developments

On March 21, 2017, the Company completed the consolidation of its outstanding common shares on a ratio of 3 old shares for 1 new share. The number of shares, options and per share amounts have been adjusted for the effects of the consolidation on the audited financial statements for the years ended April 30, 2017 and 2016.

On March 21, 2017, the Company closed its non-brokered private placement, consisting of 4,285,708 post-Consolidation common shares at a subscription price of \$0.07 per share to raise gross proceeds of \$300,000.

On March 23, 2017, the Board approved the modification of the terms of the Company's stock options, which had been previously approved by the TSX-V, with respect to an aggregate of 462,148 pre-consolidation stock options, dated February 27, 2015. The 154,050 post-consolidation options are now exercisable at a price of \$0.10 per common share.

On April 17, 2017, the Company granted 520,000 stock options to officers and directors of the Company. The fair value of the options granted was estimated at \$39,000 using the Black-Scholes pricing model.

On October 3, 2017, Gary Hokkanen resigned as the Company's Chief Financial Officer and was replaced by Gerald Goldberg.

The directors of the Company continue to seek out appropriate potential business opportunities with a view to complete a Qualifying Transaction within the meaning of the TSX-V policies.

Selected Annual Information

The following table presents a summary of selected financial information with respect to Capricorn for the six months ended October 31, 2017, and for the years ended April 30, 2017 and 2016:

	Six months ended October 31, 2017	Year ended April 30, 2017	Year ended April 30, 2016
Total expenses	\$ 13,249	\$ 115,647	\$ 18,120
Interest income	-	(151)	(16)
Gain of loan extinguishment	5,320	-	-
Net loss and comprehensive loss	(7,929)	(115,497)	(18,104)
Loss per share	(0.001)	(0.039)	(0.007)
Total assets	248,611	302,094	24,329
Total liabilities	103,452	149,006	54,274
Shareholders' equity (deficiency)	145,159	153,088	(29,918)

Results of Operations

Three months period ended October 31, 2017

The Company incurred a net loss of \$2,285 during the three months ended October 31, 2017, compared to a net loss of \$8,528 in the comparative period. The decrease in net loss in the current period is mainly due to the status quo of the operations, as the primary expenses are comprised of professional and filing fees.

The decrease in net loss was also attributable to a gain on loan extinguishment related to the modification of the terms of the Loan.

The loss per share during the three months ended October 31, 2017 was \$nil compared to a loss per share of \$0.001 in the comparative period.

Six months period ended October 31, 2017

The Company incurred a net loss of \$7,929 during the six months ended October 31, 2017, compared to a net loss of \$12,816 in the comparative period. The increase in net loss is mainly due to an increase in filing fees for the Company, and the gain on loan extinguishment related to the modification of the terms of the Loan.

The loss per share during the six months ended October 31, 2017 was \$0.001 compared to a loss per share of \$0.001 in the comparative period.

Summary of Quarterly Results

The following table presents selected financial data of Capricorn for its last eight quarters as reported in the particular period:

<u>Period</u>	<u>Interest income</u>	<u>Net loss (\$)</u>	<u>Loss per share (\$)</u>
2018 Q2	-	(2,285)	(0.000)
2018 Q1	-	(5,644)	(0.001)
2017 Q4	-	(58,710)	(0.020)
2017 Q3	-	(43,970)	(0.016)
2017 Q2	34	(8,527)	(0.002)
2017 Q1	117	(4,289)	(0.001)
2016 Q4	16	(18,104)	(0.001)
2016 Q3	7	(9,592)	(0.004)

Liquidity and Financial Position

As at October 31, 2017, Capricorn had \$247,669 in cash, compared to a cash balance of \$301,152 as at April 30, 2017. Total liabilities were \$103,452 as at October 31, 2017, compared to \$149,006 as at April 30, 2017. The decreases in cash and accounts payable and accrued liabilities are primarily attributable to professional fees paid, net of filing fee accruals made during the period.

Shareholder' equity decreased from \$153,088 on April 30, 2017 to \$145,159 on October 31, 2017 as a result of the net loss of \$7,929 incurred during the six months ended October 31, 2017.

The Company believes it has sufficient remaining capital resources to consummate an alternative Qualifying Transaction.

Capital Resources

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

During the three and six months ended October 31, 2017, the Company financed its operations through the remaining cash proceeds raised from its initial public offering back in 2008.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements.

Related-Party Transactions

During the three and six months ended October 31, 2017, the Company did not enter into any related-party transactions.

Outstanding Share Capital and Stock Options Data

As at October 31, 2017, Capricorn had authorized an unlimited number of common shares without par value for issuance and had issued 6,750,503 common shares. As at October 31, 2017, the number of stock options outstanding and exercisable was 674,050.

As of the date of this MD&A, the number of common shares and stock options on hand had remained unchanged.

Significant Accounting Policies

Financial Instruments

Financial assets

Financial assets are classified into one of four categories:

- 1) Fair value through profit or loss;
- 2) Held-to-maturity;
- 3) Loans and receivables; and
- 4) Available-for-sale.

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL assets are measured at fair value, and changes, are recognized in profit or loss. Cash and cash equivalents are classified as FVTPL.

Held-to-maturity (“HTM”)

Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as HTM and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate (“EIR”) method. Transaction costs incurred to acquire HTM financial instruments are included in the underlying balance. No financial assets were classified as HTM.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the EIR method. Transaction costs incurred to acquire loans and receivables are included in the underlying balance. No financial assets were classified as loans and receivables.

Available for sale (“AFS”)

AFS assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as AFS are carried at fair value with the changes in fair value recorded in other comprehensive income, except for investments in equity instruments that do not have a quoted market price in an active market which should be measured at cost. Interest on AFS assets is calculated using the EIR method and is recognized in profit or loss. Transaction costs incurred to acquire AFS financial instruments are included in the underlying balance. When there is objective evidence that the asset is impaired, the cumulative loss included in accumulated other comprehensive income is removed and recognized in net income. Gains and losses realized on disposal of AFS securities are recognized in profit or loss. No financial assets were classified as AFS.

Financial liabilities

Financial liabilities are classified into one of two categories:

- 1) Fair value through profit or loss; and
- 2) Other financial liabilities.

Financial liabilities at fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with the changes in fair value recognized in the statement of operations and comprehensive loss. The Company has no financial liabilities at FVTPL.

Other financial liabilities

Other financial liabilities are recognized at amortized cost. The Company’s other financial liabilities consisted of accounts payable and accrued liabilities, and loans payable as other financial liabilities.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position 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 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments; and
- Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Loss per Share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period. Contingently issuable shares are not considered outstanding common shares and consequently not included in loss per share calculation. The Company computes the dilutive effect of options and similar instruments using the proceeds that could be obtained upon exercise of options and similar instruments. It assumes that proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per share calculation assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share.

Stock-Based Compensation

The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share-based payments reserve. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date of receipt of goods or services, with an offsetting credit to share-based payments reserve. When the fair value of the goods and services is not readily available the amount is based on the fair value of the equity instrument granted. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share-based payments reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share-based payments reserve is transferred to share capital to recognize the total consideration for the shares issued.

Where the terms of a share option are modified, the minimum expense recognized in stock-based compensation is the expense as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the option or is otherwise beneficial to the optionee as measured at the date of modification. Should the total fair value of the option decrease no modification is accounted for, such that no additional expense is recognized.

Critical Accounting Estimates

The preparation of the Company's unaudited condensed interim financial statements for the three and six months ended October 31, 2017, in conformity with IFRS, requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited condensed interim financial statements and reported amounts of expenses during the three and six months ended October 31, 2017.

The estimates and associated assumptions are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates and assumptions made by management may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others the fair value of options issued and the fair value of financial assets and liabilities. Significant judgments include management's assessment of

the Company's ability to continue as a going concern and its ability to obtain additional financing to complete a Qualifying Transaction. Actual results may differ from those estimates.

Recent accounting pronouncements issued and not yet applied

The Company has not applied the following new standard that have been issued by the IASB and the IFRIC but is not yet effective:

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in July 2014 and will replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

Financial Instruments and Financial Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. Management of the Company charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectations of the Board of Directors.

Fair Value

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities approximate fair values due to the relatively short-term maturities of these financial instruments.

As at October 31, 2017, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents are classified as Level 1 within the fair value hierarchy.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents earn nominal interest. The Company does not believe there is any other interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company manages its liquidity risk by forecasting cash flows and

anticipated investing and financing activities. Management of the Company are actively involved in the review and approval of planned expenditures.

As at October 31, 2017, the Company had a cash balance of \$247,669 (April 30, 2017 – \$301,152) to settle current liabilities of \$59,038 (April 30, 2017 – \$149,006). The Company will need to secure additional financing to meet its ongoing obligations. However, there is no assurance that the Company will be able to do so.

Credit Risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's exposure to credit risk primarily arises from the possibility that its debtors may fail to meet their obligations. Cash is held in trust by the lawyers. The Company manages the credit exposure related to cash by making sure that the lawyers maintain bank accounts with Schedule I banks in Canada.

The carrying amount of cash and cash equivalents and other receivable represent the maximum credit exposure.

Outlook

The Company is considering potential Qualifying Transactions.