

Capricorn Business Acquisitions Inc.
(A Capital Pool Corporation)

Financial Statements

For the years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Capricorn Business Acquisitions Inc.

We have audited the accompanying financial statements of Capricorn Business Acquisitions Inc., which comprise the statements of financial position as at April 30, 2017 and April 30, 2016 and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Capricorn Business Acquisitions Inc. as at April 30, 2017 and April 30, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the existence of material uncertainties that may cast significant doubt about the company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
August 24, 2017
Toronto, Ontario

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Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Financial Position

(Expressed in Canadian dollars)

As at April 30, 2017 and 2016

<u>Assets</u>	April 30, 2017	April 30, 2016
Current		
Cash and cash equivalents (Note 5)	\$ 301,152	\$ 23,387
Prepaid expenses	942	942
Total current assets	302,094	24,329
Total assets	\$ 302,094	\$ 24,329
 <u>Liabilities</u>		
Current		
Accounts payable and accrued liabilities	\$ 101,994	\$ 54,247
Loans payable (Note 4)	47,012	-
Total current liabilities	149,006	54,247
 <u>Shareholders' equity</u>		
Share capital (Note 6)	731,332	471,829
Share option reserve (Note 6)	56,896	17,896
Accumulated deficit	(635,140)	(519,643)
Total shareholders' equity (deficiency)	153,088	(29,918)
Total liabilities and shareholders' equity	\$ 302,094	\$ 24,329

Going concern (Note 2)

Authorized for issuance by the Board of Directors on August 24, 2017.

“Alex Storcheus” _____ Director “Yvan Routhier” _____ Director

See accompanying notes.

Capricorn Business Acquisitions Inc.

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Statements of Operations and Comprehensive Loss

For the years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

	2017	2016
Expenses		
Professional fees	\$ 64,075	\$ 15,594
Filing fees	6,521	2,442
Office and general	4,039	85
Stock based compensation (Note 6)	39,000	-
Interest expense	2,012	-
Total expenses	115,647	18,120
Interest income	(150)	(16)
Net loss and comprehensive loss	\$ (115,497)	\$ (18,104)
Loss per weighted average number of shares outstanding – basic and diluted		
Loss per share	\$ (0.039)	\$ (0.007)
Weighted average number of shares outstanding – basic and diluted	2,934,467	2,464,800

See accompanying notes.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Changes in Equity
For the years ended April 30, 2017 and 2016
(Expressed in Canadian dollars)

	Share capital Number of shares	Share capital amount	Share option reserve	Accumulated deficit	Total
Balance at May 1, 2016	7,394,400	\$ 471,829	\$ 17,896	\$ (519,643)	\$(29,918)
Consolidation 3:1	(4,929,605)	-	-	-	-
Private placement	4,285,708	300,000	-	-	300,000
Share issuance costs	-	(40,497)	-	-	(40,497)
Stock options	-	-	39,000	-	39,000
Net loss and comprehensive loss	-	-	-	(115,497)	(115,497)
Balance at April 30, 2017	6,750,503	\$731,332	\$56,896	\$ (635,140)	\$153,088
Balance at May 1, 2015	7,394,400	\$ 471,829	\$ 17,896	\$ (501,539)	\$(11,814)
Net loss and comprehensive loss	-	-	-	(18,104)	(18,104)
Balance at April 30, 2016	7,394,400	\$ 471,829	\$ 17,896	\$ (519,643)	\$(29,918)

See accompanying notes.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Cash Flows

For the years ended April 30, 2017 and 2016

(Expressed in Canadian dollars)

	2017	2016
Cash flows from operating activities		
Net loss for the year	\$ (115,497)	\$ (18,104)
Adjustments for:		
Stock based compensation	39,000	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	47,747	10,652
Loans payable	47,012	-
Net cash used in operating activities	18,262	(7,452)
Cash flows from financing activity		
Issuance of shares, net of share issue costs	259,503	-
Net cash used in financing activities	259,503	-
Net increase (decrease) in cash and cash equivalents	277,765	(7,452)
Cash and cash equivalents – beginning of year	23,387	30,839
Cash and cash equivalents - end of year	\$ 301,152	\$ 23,387
Supplemental Cash flow Information		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Financial Statements

(Expressed in Canadian Dollars)

April 30, 2017 and 2016

1. NATURE OF THE CORPORATION

Capricorn Business Acquisitions Inc. (the "Company" or "Capricorn") was incorporated under the Business Corporations Act (Ontario) on May 7, 2008 and is classified as a Capital Pool Corporation ("CPC") as defined in TSX Venture Exchange Inc. (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.

The Company's registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8.

The Company was unable to complete a qualifying transaction prior to March 9, 2012 and the Company's shares were suspended from trading on the TSX Venture Exchange on March 12, 2012. On June 14, 2012, the Company's shares were transferred to the NEX board.

2. GOING CONCERN

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applied on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. There is no assurance that the Company will identify a Qualifying Transaction ("QT") under the policies of the Exchange. If a QT is not completed, the Company will need to identify other sources of finance to remain a going-concern entity. These circumstances create material uncertainties that cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") And interpretations issued by the IFRS Interpretations Committee ("IFRIC").

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

On August 24, 2017, the Board of Directors approved the financial statements for the year ended April 30, 2017.

Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, money market accounts, and other investments with original maturities of 90 days or less. Balances of cash and cash equivalents in financial institutions may at times exceed the government-insured limits.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Financial Statements

(Expressed in Canadian Dollars)

April 30, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments

Financial assets

Financial assets are classified into one of four categories:

- 1) Fair value through profit or loss ("FVTPL");
- 2) Held-to-maturity ("HTM");
- 3) Loans and receivables; and
- 4) Available-for-sale ("AFS")

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

A financial asset is classified at fair value through profit or loss 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 held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held-to-maturity financial instruments are included in the underlying balance. No financial assets were classified as held-to-maturity.

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 effective interest rate method. Transaction costs incurred to acquire loans and receivables financial instruments are included in the underlying balance. No financial assets were classified as loans and receivables.

Available for sale ("AFS")

Available-for-sale 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 available-for-sale 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 available-for-sale assets is calculated using the effective interest rate method and is recognized in the net income. Transaction costs incurred to acquire available-for-sale 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 available-for-sale securities are recognized in net income. No financial assets were classified as available-for-sale.

Capricorn Business Acquisitions Inc.

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Notes to Financial Statements

(Expressed in Canadian Dollars)

April 30, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial instruments (Cont'd)

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 statement 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.
- 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 shares outstanding during the year. 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 year. 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.

Capricorn Business Acquisitions Inc.

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Notes to Financial Statements

(Expressed in Canadian Dollars)

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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income taxes

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the year that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 option reserves. 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 option reserves. 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 option 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 option 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.

Comprehensive income

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. At present, the Company has no other comprehensive income or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

Accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 are estimates and assumptions made by management that 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 assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to complete a qualifying transaction. Actual results may differ from those estimates.

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Notes to Financial Statements

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April 30, 2017 and 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Recent accounting pronouncements issued and not yet applied

The Company has not applied the following new and revised IFRS that have been issued but are not yet effective:

IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions.

The effective date of IFRS 9 was deferred to years beginning on or after January 1, 2018. Earlier application is permitted.

4. LOANS PAYABLE

On December 16, 2016, the Company borrowed an aggregate of \$45,000 (the "Loan") from three lenders who were arm's length to the Company at the time of the advancement of the Loan. The principal amount of the Loan bears interest at 12% per annum. The Loan has a term expiring on the earlier of (i) six (6) months from the date of advance and (ii) the date of completion of an equity financing by the Company of a minimum of \$300,000. With the close of the non-brokered private placement, on March 21, 2017, these loans are now due on demand.

5. CASH RESTRICTION

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that the maximum of the lesser of 30% of the gross proceeds and \$210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange. As at April 30, 2017, the Company had exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

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Notes to Financial Statements

(Expressed in Canadian Dollars)

April 30, 2017 and 2016

6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued

	Number		Value
Balance at April 30, 2016	7,394,400	\$	471,829
Consolidation (3:1)	(4,929,605)		-
Share issuance costs	-		(40,497)
Private Placement	4,285,708		300,000
Balance at April 30, 2017 and 2016	6,750,503	\$	731,332

The Company had issued 2,900,000 seed common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction. During the quarter ended July 31, 2012, 1,250,000 of the seed common shares which were held by non-arm's length parties were cancelled. The remaining 1,650,000 seed common shares are not considered to be outstanding shares for purposes of loss per share calculation.

On March 21, 2017, the Company completed the consolidation of its outstanding common shares at 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 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. No warrants were issued as part of the private placement. The Company paid \$40,497 in issue costs as part of the transaction.

a) Stock Options

The Company awards stock options to directors, officers and technical consultants under an incentive stock plan (the "Plan"). Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Compensation expense is recognized over the vesting period. The board of directors of the Company may from time to time, in its discretion, grant to directors, officers, and technical consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding Common Shares exercisable for a period of up to five years from the date of grant. The Company is currently in the process of updating their plan to allow the amount of common shares reserved for issuance to be greater than ten percent (10%). The following is a continuity schedule of outstanding options for the reporting period, where "WAEP" refers to weighted average exercise price.

	No. of Options		WAEP
Outstanding at April 30, 2016	739,438	\$	0.05
Expired	(277,290)		-
Consolidation (3:1)	(308,098)		-
Granted (ii)	520,000		-
Outstanding at April 30, 2017	674,050	\$	0.10
Exercisable at April 30, 2017	674,050	\$	0.10

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Notes to Financial Statements

(Expressed in Canadian Dollars)

April 30, 2017 and 2016

6. SHARE CAPITAL (Cont'd)

a) Stock Options (Cont'd)

- (i) On February 27, 2015, the Company granted 739,438 stock options to the officers and directors of the company. The fair value of the options granted to directors and officers was estimated at \$17,896 using the Black-Scholes pricing model, with the following weighted average assumptions: dividend yields of 0%, volatility factors of the expected market price of comparable companies of 100%, risk-free interest rate of 0.57%, a weighted average expected life of 5 years, a forfeiture rate of 0% and share price of \$0.035.
- (ii) On April 17, 2017, the Company granted 520,000 stock options to the officers and directors of the company. The fair value of the options granted to directors and officers was estimated at \$39,000 using the Black-Scholes pricing model, with the following weighted average assumptions: dividend yields of 0%, volatility factors of the expected market price of comparable companies of 100%, risk-free interest rate of 1.05%, a weighted average expected life of 5 years, a forfeiture rate of 0% and share price of \$0.10.
- (iii) In conjunction with the share consolidation, the Exchange approved the corporation to complete the option modification with respect to an aggregate of 462,148 stock options, dated February 27, 2015, exercisable at a price of \$0.05 per common share. The repriced 154,050 options are exercisable at a price of \$0.10 per common share.

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

b) Share Option Reserve

Share option reserve balance represents stock-based compensation of \$39,000 (2016 - \$NIL).

7. CAPITAL RISK MANAGEMENT

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.

The Company includes equity, comprising of share capital, share option reserve and accumulated deficit in the definition of capital.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in note 5.

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Notes to Financial Statements

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April 30, 2017 and 2016

8. 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 foreign currency 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. The officers 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 instruments.

At April 30, 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.

Foreign currency risk:

The Company's functional currency is the Canadian dollar. All of the Company's cash is in Canadian dollars. All of the Company's transactions are denominated in Canadian dollars.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at April 30, 2017, the Company has accounts payable and accrued liabilities of \$149,006 (2016 - \$54,247) due within 12 months and has cash and cash equivalents of \$301,152 (2016 - \$23,387) to meet its current obligations. 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.

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8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk:

The Company's exposure to credit risk 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.

9. INCOME TAX

(i) Income Tax Expense

There is no current income tax liability expense. The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

	2017	2016
Loss before income taxes	\$ (115,497)	\$ (18,104)
Statutory rate	26.5%	26.5%
Income tax provision at statutory rate	(31,000)	(5,000)
Effect of income taxes of:		
Stock based compensation	9,000	-
Changes in prior year tax loss carry forwards	-	(3,000)
Change in unrecognized deferred taxes	22,000	8,000
Income tax expense	\$ -	\$ -

(ii) Deferred Taxes

The unrecognized deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following:

	2017	2016
Amounts related to tax loss carry forwards	\$ 232,000	\$ 201,000
Share issue costs	(9,000)	-
	223,000	201,000
Less: unrecognized deferred taxes	(223,000)	(201,000)
Net deferred tax	\$ -	\$ -

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9. INCOME TAX (Cont'd)

(iii) Tax Losses

As at April 30, 2017, the Company has income tax losses of approximately \$874,000 which are available to reduce future taxable income. The losses expire as follows:

2029	\$	18,000
2030		75,000
2031		145,000
2032		291,000
2033		126,000
2034		47,000
2035		39,000
2036		18,000
2037		115,000
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	\$	874,000