

CAPRICORN BUSINESS ACQUISITIONS INC.
(A Capital Pool Corporation)

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2018

December 18, 2018

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 of the Company for the six months ended October 31, 2018. The Company’s 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. 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 (the “Qualifying Transaction” or the “QT”), as defined in Exchange Policy 2.4.

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

As at December 18, 2018, 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 May 25, 2018, the Company entered into a letter of intent (“LOI”) with Blockchain Innovations Corp. (“BCI”), whereby BCI will exchange all its issued and outstanding common shares for common shares in the capital of Capricorn and become a wholly-owned subsidiary of Capricorn. The proposed transaction will constitute the Company’s QT under the Exchange policies. See Proposed Transaction for more details.

Selected Financial Information

Summarized selected financial information with respect to Capricorn as at and for the six months ended October 31, 2018, and the three most recently completed years ended April 30 are summarized as follows:

	Six months ended October 31, 2018	Year ended April 30, 2018	Year ended April 30, 2017	Year ended April 30, 2016
Total expenses	\$ 19,633	\$ 24,928	\$ 115,647	\$ 18,120
Interest income	-	-	(150)	(16)
Net loss and comprehensive	(19,633)	(24,928)	(115,497)	(18,104)
Loss per share	(0.003)	(0.004)	(0.039)	(0.007)
Total assets	229,330	240,230	302,094	24,329
Total liabilities	120,803	112,070	149,006	54,274
Shareholders’ equity	108,527	128,160	153,088	(29,918)

Results of Operations

Three months ended October 31, 2018

The Company incurred a net loss of \$12,078 during the three months ended October 31, 2018, compared to a net loss of \$2,285 in the comparative period. The increase in net loss is mainly due to legal fees incurred in related to the proposed BCI transaction.

The loss per share for the three months ended October 31, 2018 was \$0.002 compared to a loss per share of \$nil in the comparative period.

Six months ended October 31, 2018 and 2017

The Company incurred a net loss of \$19,633 during the six months ended October 31, 2018, compared to a net loss of \$7,929 in the comparative period. The increase in net loss is mainly due to legal fees incurred in related to the proposed BCI transaction.

The loss per share for the six months ended October 31, 2018 was \$0.003 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>
Q2 2019	-	(12,078)	(0.002)
Q1 2019	-	(7,555)	(0.001)
Q4 2018	-	(8,948)	(0.002)
Q3 2018	-	(8,051)	(0.001)
Q2 2018	-	(2,285)	(0.000)
Q1 2018	-	(5,644)	(0.001)
Q4 2017	-	(58,710)	(0.020)
Q3 2017	-	(43,971)	(0.016)

Liquidity and Financial Position

As at October 31, 2018, Capricorn had a cash balance of \$222,738, compared to a cash balance of \$239,288 as at April 30, 2018. Total liabilities were \$120,803 as at October 31, 2018, compared to \$112,070 as at April 30, 2018. The increases in 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 \$128,160 as at April 30, 2018 to \$108,527 as at October 31, 2018, as a result of the net loss of \$19,633 incurred during the six months ended October 31, 2018.

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

Capital 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, comprised of share capital, share-based payments reserve and accumulated deficit in the definition of capital.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended October 31, 2018 and the year ended April 30, 2018.

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 six months ended October 31, 2018, the Company did not enter into any related-party transactions.

Outstanding Share Capital and Stock Options Data

As at October 31, 2018, the Company had authorized an unlimited number of common shares without par value for issuance and had issued 6,750,509 common shares. As at October 31, 2018, 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.

Summary of Significant Accounting Policies

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. As at October 31, 2018, the Company did not have any cash equivalents.

Financial instruments

Financial assets

Financial assets within the scope of IFRS 9 – Financial Instruments (“IFRS 9”) are classified as financial assets measured at amortized cost, at fair value through other comprehensive income (loss) or at fair value through profit or loss (“FVTPL”), as appropriate. The Company determines the classification of its financial assets at initial recognition. The Company’s financial assets consist of cash.

Recognition, derecognition and measurement

Financial assets at FVTPL are initially recognized at fair value plus transaction costs. Financial assets are derecognized when the rights to receive cash flows from them have expired.

Subsequent to initial recognition, all financial assets are measured at amortized cost, at fair value through other comprehensive income or at FVTPL. Gains and losses arising from changes in the fair value of the financial assets at FVTPL are presented in profit or loss in the period in which they arise.

Financial liabilities

All financial liabilities within the scope of IFRS 9 are measured at amortized cost, except for financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, contingent consideration recognized by an acquirer in a business combination to which IFRS 3 – Business Combinations applies. Such contingent consideration shall subsequently be measured at fair value with changes recognized in profit or loss.

The Company’s financial liabilities consist of accounts payable and accrued liabilities and loans payable, and are measured at amortized cost.

The subsequent measurement of financial liabilities depends on their classification.

Fair value hierarchy

The Company classifies fair value measurements 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 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 – 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 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at October 31, 2018, the Company does not have any financial instruments, other than cash, which are measured at fair value after initial recognition.

Income taxes

Income tax expense comprises current and deferred tax expense. Current and deferred tax are recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income (loss).

Current tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent that future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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.

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 (loss) and other comprehensive income (loss). Financial assets classified as available-for-sale will have revaluation gains and losses included in other comprehensive income (loss) until the asset is removed from the statements of financial position. At present, the Company has no other comprehensive income (loss).

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

As at October 31, 2018 and April 30, 2018, the Company had no material provisions.

Accounting estimates and judgments

The preparation of these unaudited condensed interim 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's assessment of the Company's ability to continue as a going concern and its ability to obtain additional financing to complete a QT.

Changes in accounting policies

The Company adopted the following standards, effective May 1, 2018. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's unaudited condensed interim financial statements:

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.

Financial Instruments and 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, 2018, 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, 2018, the Company had a cash balance of \$222,738 (April 30, 2018 – \$239,288) to settle current liabilities of \$120,803 (April 30, 2018 – \$59,676). 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.

Proposed Transaction

On May 25, 2018, the Company entered into a LOI with BCI, whereby BCI will exchange (the "Share Exchange") all its issued and outstanding common shares ("BCI Shares") for common shares in the capital of Capricorn ("CAK Shares") and become a wholly-owned subsidiary of Capricorn. The proposed transaction will constitute the Company's QT under the Exchange policies.

Under the terms of the LOI, as consideration for the Share Exchange, subject to BCI completing the Pre-QT Financing and Concurrent Financing (each as defined below), Capricorn is expected to issue the following securities to BCI securityholders in exchange for their respective securities of BCI:

- 69,125,000 CAK Shares, at a deemed price of \$0.32 per CAK Share;
- 3,750,000 warrants to purchase CAK Shares at a price of \$0.30 per CAK Share (“Initial Warrants”);
- 600,000 compensation options exercisable at a price of \$0.20 into one initial broker unit, each comprised of one CAK Share and one half of one Initial Warrant;
- 7,812,500 warrants to purchase CAK Shares at a price of \$0.42 per CAK Share (“Concurrent Financing Warrants”);
- 1,250,000 compensation options exercisable at a price of \$0.32 into one broker unit, each comprised of one CAK Share and one half of one Concurrent Financing Warrant.

Prior to the completion of the QT, and subject to the receipt of shareholder approval, Capricorn is expected to complete a share consolidation of the CAK Shares on a 1.40 old CAK Shares for one new CAK Share basis, such that Capricorn would have 4,821,574 shares issued and outstanding prior to completion of the QT. FMI Capital Advisory Inc. will act as an exclusive financial advisor to BCI with respect to the QT.

BCI is currently undertaking a private placement (“Pre-QT Financing”) of units of BCI (“BCI Units”) at a price of \$0.20 per BCI Unit for gross proceeds of up to a total of \$1,500,000. Each BCI Unit is comprised of one BCI Share and one half of one BCI Share purchase warrant (each whole warrant being referred to as a "BCI PreQT Warrant") exercisable into BCI Shares at a price of \$0.30 per BCI Share for a period of two years from issuance. BCI may pay a finder's fee equal to 8% cash and 8% broker warrants to registered brokers and other finders where permitted by applicable securities legislation.

BCI also intends to complete a concurrent financing immediately prior to closing of the QT for gross proceeds of a minimum of \$3,000,000 and a maximum of \$5,000,000 of units (“QT Units”) at a price of \$0.32 per QT Unit. Each QT Unit will be comprised of one BCI Share and one half of one BCI Share purchase warrant exercisable into BCI Shares at a price of \$0.42 per BCI Share for a period of 24 months from the date of issuance.

Completion of the QT is subject to completion of due diligence, receipt of all required regulatory, director and shareholder approvals, execution of definitive agreements and certain other conditions that are customary for transactions of this nature.