

Capricorn Business Acquisitions Inc.
(A Capital Pool Corporation)

Financial Statements

For the years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

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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, 2018 and April 30, 2017 and the statements of operations and comprehensive loss, changes in shareholders' 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' judgment, 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, the financial statements present fairly, in all material respects, the financial position of Capricorn Business Acquisitions Inc. as at April 30, 2018 and April 30, 2017 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 describes the material uncertainties that may cast significant doubt about Capricorn Business Acquisitions Inc.'s ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants

Licensed Public Accountants

August 28, 2018

Toronto, Ontario

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)
Statements of Financial Position
(Expressed in Canadian dollars)

	As at April 30, 2018	As at April 30, 2017
Assets		
Current Assets		
Cash (Note 8)	\$ 239,288	\$ 301,152
Prepaid expenses	942	942
Total Assets	\$ 240,230	\$ 302,094
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 59,676	\$ 101,994
Loans payable (Note 5)	-	47,012
Total Current Liabilities	59,676	149,006
Loans payable (Note 5)	52,394	-
Total Liabilities	112,070	149,006
Shareholders' Equity		
Share capital (Note 6)	731,332	731,332
Share-based payments reserve (Note 7)	56,896	56,896
Accumulated deficit	(660,068)	(635,140)
Total Shareholders' Equity	128,160	153,088
Total Liabilities and Shareholders' Equity	\$ 240,230	\$ 302,094

Nature of operations (Note 1)

Going concern (Note 2)

Subsequent events (Note 12)

“Alex Storcheus”

Director

“Yvan Routhier”

Director

The accompanying notes are an integral part of these financial statements.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Operations and Comprehensive Loss

For the years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
Expenses		
Professional fees	\$ 8,859	\$ 64,075
Filing fees	6,444	6,521
Office and general	4,243	4,039
Stock-based compensation (Note 7)	-	39,000
Interest expense	5,382	2,012
Total Expenses	(24,928)	(115,647)
Other Income		
Interest income	-	150
Net Loss and Comprehensive Loss	\$ (24,928)	\$ (115,497)
Loss per share		
– basic and diluted	\$ (0.004)	\$ (0.039)
Weighted average number of shares outstanding		
– basic and diluted	6,750,509	2,934,467

The accompanying notes are an integral part of these financial statements.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Changes in Shareholders' Equity

For the years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Accumulated deficit	Total
Balance, May 1, 2016	7,394,400	\$ 471,829	\$ 17,896	\$ (519,643)	\$ (29,918)
Shares consolidation (3:1) (Note 6)	(4,929,599)	-	-	-	-
Shares issued on private placement (Note 6)	4,285,708	300,000	-	-	300,000
Share issuance costs (Note 6)	-	(40,497)	-	-	(40,497)
Stock-based compensation (Note 7)	-	-	39,000	-	39,000
Net loss and comprehensive loss	-	-	-	(115,497)	(115,497)
Balance, April 30, 2017	6,750,509	\$ 731,332	\$ 56,896	\$ (635,140)	\$ 153,088
Balance, May 1, 2017	6,750,509	\$ 731,332	\$ 56,896	\$ (635,140)	\$ 153,088
Net loss and comprehensive loss	-	-	-	(24,928)	(24,928)
Balance, April 30, 2018	6,750,509	\$ 731,332	\$ 56,896	\$ (660,068)	\$ 128,160

The accompanying notes are an integral part of these financial statements.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Statements of Cash Flows

For the years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

	2018	2017
Cash flows from operating activities		
Net loss for the year	\$ (24,928)	\$ (115,497)
Adjustments for:		
Stock-based compensation (Note 7)	-	39,000
Finance costs	5,382	-
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities (Note 4)	(42,318)	47,747
Loan and Interest payable (Note 5)	-	47,012
Net cash (used in) from operating activities	(61,864)	18,262
Cash flows from financing activities		
Proceeds from private placement (Note 6)	-	300,000
Share issue costs (Note 6)	-	(40,497)
Net cash flows from financing activities	-	259,503
(Decrease) increase in cash	(61,864)	277,765
Cash, beginning of year	301,152	23,387
Cash, end of year	\$ 239,288	\$ 301,152

The accompanying notes are an integral part of these financial statements.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to the Financial Statements

For the years ended April 30, 2018 and 2017

(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS

Capricorn Business Acquisitions Inc. (“Capricorn” or the “Company”) 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 Company’s registered address and principal place of business is 77 King Street West, Suite 3000, Toronto, Ontario, M5K 1G8, Canada.

The Company was unable to complete a QT prior to March 9, 2012 and the Company’s common shares were suspended from trading on the TSX-V on March 12, 2012. On June 14, 2012, the Company’s common shares were transferred to the NEX Board.

2. GOING CONCERN

These 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 QT under the policies of the Exchange. If a QT is not completed, the Company will need to identify other sources of financing 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 give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company’s financial statements, including comparatives, have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The accounting policies set out below were consistently applied to all periods presented unless otherwise noted.

These financial statements were reviewed, approved and authorized for issue by the Company’s Board of Directors on August 27, 2018.

Basis of measurement

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.

In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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 April 30, 2018, the Company did not have any cash equivalents.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to the Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value at each reporting date with realized gains and losses recognized through profit or loss. Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost at each reporting date using the effective interest ("EI") method, as described below. The Company has not classified any financial assets as loans and receivables or held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has not classified any financial assets as available-for-sale.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost. The Company's accounts payables and accrued liabilities and loans payable are classified as other financial liabilities.

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 April 30, 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).

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(A Capital Pool Corporation)

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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).

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 the 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock-based compensation (continued)

Consideration received upon exercise of 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 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.

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 April 30, 2018 and 2017, the Company had no material provisions.

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'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, 2017. These changes were made in accordance with the applicable transitional provisions. There was no material impact on the Company's financial statements:

IAS 7 – Statement of Cash Flows (“IAS 7”)

IAS 7 was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in accounting policies (continued)

IAS 12 – Income Taxes (“IAS 12”)

IAS 12 was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder of the debt instrument expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences.

Recent accounting pronouncements issued and not yet applied

The IASB and the IFRIC have issued certain pronouncements that are mandatory for accounting periods commencing on or after May 1, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the following standard will have on the Company’s financial statements:

IFRS 9 – Financial Instruments (“IFRS 9”)

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.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payables and accrued liabilities of the Company are principally comprised of amounts outstanding incurred in the normal course of business.

The following is an aged analysis of the accounts payables and accrued liabilities:

	April 30, 2018	April 30, 2017
Less than 90 days	\$ 10,894	\$ 78,656
Greater than 90 days	48,782	23,338
	\$ 59,676	\$ 101,994

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5. LOANS PAYABLE

On December 16, 2016, the Company borrowed an aggregate amount of \$45,000 (the "Loan") from three lenders who were at arm's length to the Company at the time of the advancement of the Loan. 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.

On August 1, 2017, the Company extended the term of the Loan to June 16, 2019. The modification of the terms was accounted for as a modification of debt. No gain or loss was recorded on modification.

6. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

	Number of common shares	Value
Balance, April 30, 2016	7,394,400	\$ 471,829
Share consolidation (3:1)	(4,929,599)	-
Shares issued on private placement	4,285,708	300,000
Share issuance costs	-	(40,497)
Balance, April 30, 2017 and 2018	6,750,509	\$ 731,332

On March 21, 2017, the Company completed the consolidation ("Share 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 Share Consolidation for the years ended April 30, 2018 and 2017.

On March 21, 2017, the Company also closed its non-brokered private placement, consisting of 4,285,708 post-Share Consolidation common shares at a subscription price of \$0.07 per share, for gross proceeds of \$300,000. The Company paid \$40,497 in issue costs as part of the transaction.

7. SHARE-BASED PAYMENTS RESERVE

The Company maintains a stock option plan (the "Plan") whereby certain key employees, officers, directors and consultants may be granted stock options for common shares of the Company. Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Share-based compensation is recognized over the vesting period. The Board of Directors of the Company may from time to time, in its discretion, grant to key employees, officers, directors and 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 the Plan to allow the number of common shares reserved for issuance to be greater than 10%.

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

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7. SHARE-BASED PAYMENTS RESERVE (continued)

In conjunction with the Share Consolidation, the Company was issued an exchange approval 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.

The following table summarizes information of options outstanding as at April 30, 2018:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining life (Years)
February 27, 2020	154,050	154,050	\$ 0.10	1.83
April 17, 2022	520,000	520,000	0.10	3.97
	674,050	674,050	\$ 0.10	3.48

8. 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 QT by the Company as defined under the policies of the Exchange. As at April 30, 2018, the Company had exceeded this limit. The impact of this violation is not known and is ultimately dependent on the Exchange.

9. 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 years ended April 30, 2018 and 2017.

The Company is not subject to externally imposed capital requirements other than the cash restriction as disclosed in Note 8.

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10. 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 April 30, 2018, the Company's financial instruments that are carried at fair value, consisting of cash, 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 April 30, 2018, the Company had a cash balance of \$239,288 (April 30, 2017 – \$301,152) to settle current liabilities of \$59,676 (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.

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11. INCOME TAXES

Provision for income tax

There is no current income tax liability expense. Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2017 – 26.5%) are as follows:

	2018	2017
Loss before income taxes	\$ (24,928)	\$ (115,497)
Statutory rate	26.5%	26.5%
Income tax provision at statutory rate	(7,000)	(31,000)
Effect of income taxes of:		
Share issue costs	(15,000)	-
Stock-based compensation	-	9,000
Change in unrecognized deferred taxes	22,000	22,000
Income tax expense	\$ -	\$ -

Deferred income tax

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

	2018	2017
Amounts related to tax loss carry forwards	\$ 239,000	\$ 232,000
Share issue costs	6,000	(9,000)
	245,000	223,000
Less: Unrecognized deferred taxes	(245,000)	(223,000)
Net deferred tax	\$ -	\$ -

Tax losses

As at April 30, 2018, the Company has income tax losses of approximately 899,000 (April 30, 2017 – \$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
2038	25,000
	<u>899,000</u>

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12. SUBSEQUENT EVENTS

On May 25, 2018, the Company entered into a letter of intent ("LOI") with Blockchain Innovations Corp. ("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 ("Initial Compensation Options"). Each Initial Compensation Option will be 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 4,821,577 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.