

# **Capricorn Business Acquisitions Inc.**

**(A Capital Pool Corporation)**

**Condensed Interim Financial Statements**

**For the three and six months ended October 31, 2018 and 2017**

**(Expressed in Canadian dollars)**

**(Unaudited)**

## **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the condensed interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

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# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Unaudited Condensed Interim Statements of Financial Position

(Expressed in Canadian dollars)

	As at October 31, 2018	As at April 30, 2018
<b>Assets</b>		
<b>Current</b>		
Cash (Note 8)	\$ 222,738	\$ 239,288
Prepaid expenses	6,592	942
<b>Total assets</b>	<b>\$ 229,330</b>	<b>\$ 240,230</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 4)	\$ 65,686	\$ 59,676
Loans payable (Note 5)	55,117	-
<b>Total current liabilities</b>	<b>120,803</b>	<b>59,676</b>
Loans payable (Note 5)	-	52,394
<b>Total liabilities</b>	<b>120,803</b>	<b>112,070</b>
<b>Shareholders' Equity</b>		
Share capital (Note 6)	731,332	731,332
Share-based payments reserve (Note 7)	56,896	56,896
Accumulated deficit	(679,701)	(660,068)
<b>Total shareholders' equity</b>	<b>108,527</b>	<b>128,160</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 229,330</b>	<b>\$ 250,230</b>

Nature of operations (Note 1)

Going concern (Note 2)

“Alex Storcheus” \_\_\_\_\_ Director      “Yvan Routhier” \_\_\_\_\_ Director

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

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Unaudited Condensed Statements of Operations and Comprehensive Loss

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

	Three months ended October 31, 2018	Three months ended October 31, 2017	Six months ended October 31, 2018	Six months ended October 31, 2017
<b>Expenses</b>				
Professional fees	\$ 6,562	\$ 3,237	\$ 10,733	\$ 5,580
Filing fees	4,155	3,007	5,568	3,477
Office and general	-	-	610	1,470
Interest expense	1,361	1,361	2,722	2,722
<b>Total expenses</b>	<b>(12,078)</b>	<b>(7,605)</b>	<b>(19,633)</b>	<b>(13,249)</b>
Interest income	-	-	-	-
Gain on loan extinguishment	-	5,320	-	5,320
<b>Net loss and comprehensive loss</b>	<b>\$ (12,078)</b>	<b>\$ (2,285)</b>	<b>\$ (19,633)</b>	<b>\$ (7,929)</b>
<b>Loss per share</b>				
– basic and diluted	\$ (0.002)	\$ (0.000)	\$ (0.003)	\$ (0.001)
<b>Weighted average number of shares outstanding</b>				
– basic and diluted	6,750,509	6,750,509	6,750,509	6,750,509

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

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Unaudited Condensed Interim Statements of Changes in Shareholders' Equity

For the six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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	Number of shares	Share capital	Share-based payments reserve	Accumulated deficit	Total
<b>Balance at May 1, 2018</b>	6,750,509	\$ 731,332	\$ 56,896	\$ (660,068)	\$ 128,160
Net loss and comprehensive loss	-	-	-	(19,633)	(19,633)
<b>Balance at October 31, 2018</b>	<b>6,750,509</b>	<b>\$ 731,332</b>	<b>\$ 56,896</b>	<b>\$ (679,701)</b>	<b>\$ 108,527</b>
<b>Balance at May 1, 2017</b>	6,750,509	\$ 731,332	\$ 56,896	\$ (635,140)	\$ (153,088)
Net loss and comprehensive loss	-	-	-	(7,929)	(7,929)
<b>Balance at October 31, 2017</b>	<b>6,750,509</b>	<b>\$ 731,332</b>	<b>\$ 56,896</b>	<b>\$ (643,069)</b>	<b>\$ (145,159)</b>

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

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Unaudited Condensed Interim Statements of Cash Flows

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

	Three months ended October 31, 2018	Three months ended October 31, 2017	Six months ended October 31, 2018	Six months ended October 31, 2017
<b>Cash flows from operating activities</b>				
Net (loss) for the period	\$ (12,078)	\$ (2,285)	\$ (19,633)	\$ (7,929)
Adjustments for:				
Finance costs	1,361	1,361	2,722	2,722
Gain on loan extinguishment (Note 4)	-	(5,320)	-	(5,320)
Changes in non-cash working capital items:				
Prepaid expenses	(5,650)	941	(5,650)	-
Accounts payable and accrued liabilities	(184)	1,887	6,011	(42,956)
<b>Net cash (used in) operating activities</b>	<b>(16,551)</b>	<b>(3,416)</b>	<b>(16,550)</b>	<b>(53,483)</b>
<b>Decrease in cash</b>	<b>(16,551)</b>	<b>(3,416)</b>	<b>(16,550)</b>	<b>(53,483)</b>
Cash – beginning of period	239,288	251,085	239,288	301,152
<b>Cash – end of period</b>	<b>\$ 222,737</b>	<b>\$ 247,669</b>	<b>\$ 222,738</b>	<b>\$ 247,669</b>

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

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

Six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 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 unaudited condensed interim 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 unaudited condensed interim 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

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 – Interim Financial Reporting using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee.

### Basis of measurement

These unaudited condensed interim 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 unaudited condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Board of Directors of the Company on December 18, 2018.

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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).

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Fair value hierarchy (continued)*

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).

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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.

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

## 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:

	October 31, 2018	April 30, 2018
Less than 90 days	\$ 4,173	\$ 10,894
Greater than 90 days	61,513	48,782
	<u>\$ 65,686</u>	<u>\$ 59,676</u>

## 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
<b>Balance, October 31, 2018 and April 30, 2018</b>	<b>6,750,509</b>	<b>\$ 731,332</b>

## 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 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%.

The following table summarizes information of options outstanding as at October 31, 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	1.33
April 17, 2022	520,000	520,000	0.10	3.47
	<b>674,050</b>	<b>674,050</b>	<b>\$ 0.10</b>	<b>2.98</b>

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 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 October 31, 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 six months ended October 31, 2018 and the year ended April 30, 2018. The Company is not subject to externally imposed capital requirements other than the cash restriction as disclosed in Note 8.

## 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 October 31, 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.

# Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

### *Liquidity risk (continued)*

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.

## 11. PROPOSED TRANSACTION

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.

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Notes to Unaudited Condensed Interim Financial Statements

For the three and six months ended October 31, 2018 and 2017

(Expressed in Canadian dollars)

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## 11. PROPOSED TRANSACTION (continued)

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.