

Capricorn Business Acquisitions Inc.
(A Capital Pool Corporation)

Financial Statements

For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capricorn Business Acquisitions Inc.

Opinion

We have audited the financial statements of Capricorn Business Acquisitions Inc., (the Company), which comprise the statements of financial position as at April 30, 2019 and April 30, 2018 and the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2019 and April 30, 2018, and its financial performance and its cash flows for the years ended April 30, 2019 and April 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Entity incurred a net loss of \$9,962 during the year ended April 30, 2019. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Octavio Cabral.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
August 16, 2019
Toronto, Ontario

Capricorn Business Acquisitions Inc.

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

	As at April 30, 2019	As at April 30, 2018
Assets		
Current Assets		
Cash (Note 8)	\$ 218,749	\$ 239,288
Prepaid expenses	942	942
Total Assets	\$ 219,691	\$ 240,230
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 43,699	\$ 59,676
Loans payable (Note 5)	57,794	-
Total Current Liabilities	101,493	59,676
Loans payable (Note 5)	-	52,394
Total Liabilities	101,493	112,070
Shareholders' Equity		
Share capital (Note 6)	731,332	731,332
Share-based payments reserve (Note 7)	56,896	56,896
Accumulated deficit	(670,030)	(660,068)
Total Shareholders' Equity	118,198	128,160
Total Liabilities and Shareholders' Equity	\$ 219,691	\$ 240,230

Nature of operations (Note 1)

Going concern (Note 2)

Subsequent events (Note 13)

“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, 2019 and 2018

(Expressed in Canadian dollars)

	2019	2018
Expenses		
Professional fees	\$ 17,096	\$ 8,859
Filing fees	8,393	6,444
Office and general	941	4,243
Interest expense	5,400	5,382
Total Expenses	(31,830)	(24,928)
Other Income		
Extinguishment of accounts payable (Note 4)	21,868	-
Net Loss and Comprehensive Loss	\$ (9,962)	\$ (24,928)
Loss per share		
– basic and diluted	\$ (0.002)	\$ (0.004)
Weighted average number of shares outstanding		
– basic and diluted	6,750,509	6,750,509

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, 2019 and 2018

(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Accumulated deficit	Total
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
Balance, May 1, 2018	6,750,509	\$ 731,332	\$ 56,896	\$ (660,068)	\$ 128,160
Net loss and comprehensive loss	-	-	-	(9,962)	(9,962)
Balance, April 30, 2019	6,750,509	\$ 731,332	\$ 56,896	\$ (670,030)	\$ 118,198

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, 2019 and 2018

(Expressed in Canadian dollars)

	2019	2018
Cash flows from operating activities		
Net loss for the year	\$ (9,962)	\$ (24,928)
Adjustments for:		
Extinguishment of accounts payable (Note 4)	(21,868)	-
Finance costs	5,400	5,382
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	5,891	(42,318)
Net cash used in operating activities	(20,539)	(61,864)
Decrease in cash	(20,539)	(61,864)
Cash, beginning of year	239,288	301,152
Cash, end of year	\$ 218,749	\$ 239,288

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, 2019 and 2018

(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.

For the year ended April 30, 2019, the Company reported a net loss of \$9,962 (2018 – \$24,928), used net cash in operating activities of \$20,539 (2018 – \$61,864) and had an ending cash balance of \$218,749 (April 30, 2018 – \$239,288). The Company’s ability to continue as a going concern is dependent upon its ability to develop and maintain profitable operations or to obtain additional financing. However, there is no assurance that the outcome of these matters will be successful and, as a result, there are material uncertainties that might cause significant doubt regarding the going concern assumption.

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 15, 2019.

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.

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(A Capital Pool Corporation)

Notes to the Financial Statements

For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of measurement (continued)

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, 2019, the Company did not have any cash equivalents.

Financial instruments

On July 24, 2014, the IASB issued the completed IFRS 9 – Financial Instruments (“IFRS 9”) to come into effect on January 1, 2018 with early adoption permitted.

IFRS 9 includes finalized guidance on the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured either at amortized cost, fair value through other comprehensive income (“FVTOCI”) or fair value through profit or loss (“FVTPL”) based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 largely retains the existing requirements in IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”), for the classification and measurement of financial liabilities.

The Company adopted IFRS 9 in its financial statements on May 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening accumulated deficit balance on May 1, 2018. The impact on the classification and measurement of its financial instruments is set out below.

Financial assets and financial liabilities, including derivatives, are recognized on the statements of financial position when the Company becomes a party to the financial instrument or derivative contract.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (1) those to be measured subsequently at FVTPL; (2) those to be measured subsequently at FVTOCI; and (3) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss.

The Company reclassifies financial assets when its business model for managing those assets changes. Financial liabilities are not reclassified.

Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest (“SPPI”) criterion. Financial asset classified in this category are measured at amortized cost using the effective interest method.

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(A Capital Pool Corporation)

Notes to the Financial Statements

For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss (“ECL”) impairment model, which is based on changes in credit quality since initial application. The adoption of the ECL impairment model had no impact on the Company’s financial statements.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

The carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts

Fair value through profit or loss

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

Financial assets at fair value through other comprehensive income

Equity instruments that are not held-for-trading can be irrevocably designated to have their change in fair value recognized through other comprehensive income instead of through profit or loss. This election can be made on individual instruments and is not required to be made for the entire class of instruments. Attributable transaction costs are included in the carrying value of the instruments. Financial assets at FVTOCI are initially measured at fair value and changes therein are recognized in other comprehensive income (loss).

Measurement

All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets and financial liabilities with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through profit and loss or other comprehensive income (irrevocable election at the time of recognition). For financial liabilities measured subsequently at FVTPL, changes in fair value due to credit risk are recorded in other comprehensive income (loss).

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

The Company's classification and measurements of financial assets and liabilities are summarized below:

	IFRS 9	IAS 39
	Classification	Measurement
Cash	Amortized cost	Loans & receivable
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Loans payable	Amortized cost	Other financial liabilities

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.

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(A Capital Pool Corporation)

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For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 and 2018, 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.

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to the Financial Statements

For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements issued and not yet applied

At the date of authorization of these financial statements, the IASB and the IFRIC have issued certain pronouncements that are mandatory for accounting periods commencing on or after May 1, 2019. 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 these standards will have on the Company's financial statements.

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 payable and accrued liabilities:

	April 30, 2019	April 30, 2018
Less than 90 days	\$ 10,311	\$ 10,894
Greater than 90 days	33,388	48,782
	<u>\$ 43,699</u>	<u>\$ 59,676</u>

During the year ended April 30, 2019, the Company had determined that an amount of \$21,868 was recoverable due to exceeding statute barred limitations for collections. This amount has been recognized as gain of recovery of debts in profit and loss (2018 – \$nil).

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.

On July 1, 2019, the Company further extended the term of the Loan to December 16, 2019 (see Note 13).

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, 2019 and 2018	6,750,509	\$ 731,332

Capricorn Business Acquisitions Inc.

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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%.

The following table summarizes information of options outstanding as at April 30, 2019:

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	0.83
April 17, 2022	520,000	520,000	0.10	2.97
	674,050	674,050	\$ 0.10	2.48

8. 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.

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, 2019 and 2018.

9. 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, 2019, 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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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, accounts payable and accrued liabilities and loans payable approximate fair values due to the relatively short-term maturities of these financial instruments. As at April 30, 2019, the Company did not have any financial instruments carried at fair value.

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, 2019, the Company had a cash balance of \$218,749 (April 30, 2018 – \$239,288) to settle current liabilities of \$101,493 (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.

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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% (2018 – 26.5%) are as follows:

	2019	2018
Loss before income taxes	<u>\$ (9,962)</u>	<u>\$ (24,928)</u>
Statutory rate	<u>26.5%</u>	<u>26.5%</u>
Income tax provision at statutory rate	(3,000)	(7,000)
Effect of income taxes of:		
Share issue costs	3,000	(15,000)
Change in unrecognized deferred taxes	<u>-</u>	<u>22,000</u>
Income tax expense	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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:

	2019	2018
Amounts related to tax loss carry forwards	<u>\$ 241,000</u>	<u>\$ 239,000</u>
Share issue costs	<u>4,000</u>	<u>6,000</u>
	245,000	245,000
Less: Unrecognized deferred taxes	<u>(245,000)</u>	<u>(245,000)</u>
Net deferred tax	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Tax losses

As at April 30, 2019, the Company has income tax losses of approximately \$909,000 (April 30, 2018 – \$899,000) 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
2039	<u>10,000</u>
	<u>\$ 909,000</u>

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to the Financial Statements

For the years ended April 30, 2019 and 2018

(Expressed in Canadian dollars)

12. PROPOSED TRANSACTION

On February 3, 2019, the Company entered an agreement with Blockchain Innovations Corp. to mutually terminate the letter of intent (“LOI”) previously announced between the parties.

13. SUBSEQUENT EVENTS

Tikkun Pharma Inc.

On July 1, 2019, the Company entered into a LOI with Tikkun Pharma, Inc., d/b/a Tikun Olam Skincare (“TO Skincare”), under the general terms and conditions pursuant to which the Company and TO Skincare would be willing to complete a transaction that will result in a reverse take-over of Capricorn by the shareholders of TO Skincare, and which is intended to constitute the QT of Capricorn pursuant to the policies of the Exchange.

Prior to the completion of the QT, Capricorn shall effect a name change (the “Name Change”) to “Tikun Olam Skin Care Corp.” or as may otherwise be mutually agreed upon and acceptable to the applicable regulatory authorities and the Exchange. The QT is then expected to proceed by way of a three-cornered amalgamation, share exchange or statutory plan of arrangement pursuant to which Capricorn will acquire all of the issued and outstanding common shares of TO Skincare (the “TO Skincare Shares”), in exchange for common shares in the capital of Capricorn (“Capricorn Shares”) on the basis of 2.2216 Capricorn Shares for every one (1) TO Skincare Share (the “Exchange Ratio”), reflecting a deemed price of approximately CAD \$0.2251 per TO Skincare Share or such other value acceptable to TO Skincare, Capricorn and the Exchange, such that TO Skincare will be a wholly-owned subsidiary of Capricorn as it exists following the completion of the QT and will carry on the business of TO Skincare. The QT will also provide that all outstanding options, warrants and broker warrants to purchase TO Skincare Shares shall be exchanged for economically equivalent securities of the Resulting Issuer, subject to adjustment in number and exercise price based on the Exchange Ratio.

In connection with the QT, TO Skincare intends to complete a non-brokered private placement (the “TO Financing”) of secured convertible debenture units (“Units”) at a price of CAD \$1,000 per Unit for gross proceeds of up to CAD \$1,500,000. Each Unit will consist of (i) a convertible debenture (a “Convertible Debenture”) that has a face value of CAD \$1,000, an interest rate of 10% per annum, a maturity date of three years from the date of issuance, and will be convertible, at the option of the holder thereof or automatically upon completion of the QT, into TO Skincare Shares at a price of CAD \$0.50 per share (“Debenture Shares”) and (ii) 2,000 non-transferrable warrants (“Warrants”), with each Warrant entitling the holder thereof to acquire one (1) TO Skincare Share at a price of CAD \$0.65 per share until the earlier of the date on which the QT is completed or 60 months from closing.

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.

Loan extension

On July 1, 2019, the Company amended the terms of the Loan by extending the maturity date by a further six months to December 16, 2019.