

CAPRICORN BUSINESS ACQUISITIONS INC.
(A Capital Pool Corporation)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED OCTOBER 31, 2020

December 10, 2020

The following Management's Discussion and Analysis ("MD&A") of the operating results and financial position of Capricorn Business Acquisitions Inc. ("Capricorn" or the "Company") is supplementary to, and should be read in conjunction with the unaudited condensed interim financial statements of the Company for the six months ended October 31, 2020. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are in Canadian dollars unless stated otherwise.

Forward-Looking Information

This MD&A contains forward-looking statements which by their nature, necessarily involve risks and uncertainties that could cause results to differ materially from those contemplated by these forward-looking statements. Management considers the assumptions on which these forward-looking statements are based to be reasonable at the time the statements were prepared but cautions readers that they could cause actual results to differ materially from those anticipated.

Company Profile

Capricorn was incorporated under the Business Corporations Act (Ontario) on May 7, 2008 and is classified as a Capital Pool Corporation as defined in TSX Venture Exchange Inc. (the "TSX-V" or the "Exchange") Policy 2.4. The Company has nominal assets other than cash and proposes to identify and evaluate potential acquisitions or businesses with a view to completing a qualifying transaction (the "Qualifying Transaction"), as defined in Exchange Policy 2.4. Management and the Board of Directors (the "Board") of the Company continue to seek out appropriate potential business opportunities with a view to complete a Qualifying Transaction within the meaning of the TSX-V policies.

Recent Developments

On June 1, 2020, the Company granted 92,430 stock options to its officers at an exercise price of \$0.10, with expiry on April 17, 2022 (see "Related Party Transactions" for details).

On August 17, 2020, Mr. Sruli Weinreb resigned from the Board to pursue other opportunities.

Selected Financial Information

The Company's selected financial information as at and for the six months ended October 31, 2020 and for the three most recently completed financial years ended April 30 are summarized as follows:

	As at and for the six months ended October 31, 2020	Year ended April 30, 2020	Year ended April 30, 2019	Year ended April 30, 2018
	\$	\$	\$	\$
Total expenses	(17,012)	(43,577)	(31,830)	(24,928)
Net loss and comprehensive loss	(17,012)	(43,511)	(9,962)	(24,928)
Loss per share	(0.003)	(0.006)	(0.002)	(0.004)
Total assets	95,882	126,064	219,691	240,230
Total liabilities	37,839	51,377	101,493	112,070
Shareholders' equity	58,043	74,687	118,198	128,160

Results of Operations

During the six months ended October 31, 2020, the Company incurred a net loss of \$17,012, compared to a net loss of \$31,095 in the comparative period. The decrease in net loss is primarily attributable to reduced professional fees, filing fees & interest expense incurred, as no significant activities had taken place during the current period.

The loss per share for the six months ended October 31, 2020 was \$0.003 compared to a loss per share of \$0.005 in the comparative period.

Summary of Quarterly Results

The following table presents selected financial data of Capricorn for its last eight quarters as reported in the particular period:

<u>Period</u>	<u>Net income (loss)</u>	<u>Income (loss) per share</u>
	\$	\$
2021 Q2	(8,172)	(0.001)
2021 Q1	(8,840)	(0.001)
2020 Q4	(6,859)	(0.001)
2020 Q3	(5,556)	(0.001)
2020 Q2	(15,843)	(0.002)
2020 Q1	(15,253)	(0.002)
2019 Q4	12,734	0.002
2019 Q3	(3,063)	(0.001)

Liquidity and Financial Position

As at October 31, 2020, Capricorn had a cash balance of \$94,940, compared to a cash balance of \$125,122 as at April 30, 2020. During the six months ended October 31, 2020, the Company incurred a net cash outflow of \$30,182, comprised primarily of activities as part of its day-to-day operations, including a settlement of a prior obligation with one of the Company's vendors. As a result of the settlement, total liabilities as at October 31, 2020 decreased to \$37,839 compared to \$51,377 as at April 30, 2020.

Shareholders' equity decreased from \$74,687 as at April 30, 2020 to \$58,043 as at October 31, 2020, as a result of the net loss incurred during the current period.

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

Capital Resources

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, 2020 and the year ended April 30, 2020.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements.

Related-Party Transactions

On June 1, 2020, the Company granted 55,458 options to the Company's Chief Executive Officer, and 36,972 options to its Chief Financial Officer, respectively. The options vested immediately on grant, and the grant date fair value of \$368 attributable to these options was recorded as stock-based compensation during the six months ended October 31, 2020.

Outstanding Share Capital and Stock Options Data

As at October 31, 2020, Capricorn had authorized an unlimited number of common shares without par value for issuance and had issued 6,750,509 common shares. As at October 31, 2020, the number of stock options outstanding and exercisable was 612,430.

As of the date of this MD&A, the number of common shares had remained unchanged.

COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the successful completion of a qualifying transaction or potential delays in the timing of closing a transaction and condition of the Company in future periods.

Summary of Significant Accounting Policies

Financial instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the financial instruments.

Classification

The Company classifies its financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value through profit or loss ("FVTPL"); (ii) those to be measured subsequently at fair value through other comprehensive income ("FVTOCI"); and (iii) 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.

Expected credit loss impairment model

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). As at October 31, 2020, there are no financial instruments measured at FVTPL or FVTOCI.

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 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).

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

	Classification
Cash	Amortized cost
Accounts payable	Amortized cost

Derecognition

The Company derecognizes financial liabilities when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of operations and comprehensive loss.

Modification

When the modifications do not result in derecognition of the financial liability, the gross carrying amount of the financial liability is recalculated with any difference between the previous carrying amount and the new carrying amount recognized in profit or loss. The new gross carrying amount is recalculated as the present value of the modified contractual cash flows discounted at the liability's original effective interest rate.

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.

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 and officers 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 October 31, 2020 and April 30, 2020, the Company had no material provisions.

Accounting estimates and judgments

The preparation of the Company's 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 Qualifying Transaction.

Changed in accounting policies

The Company adopted the following amendments, effective May 1, 2020. The changes were made in accordance with the applicable transitional provisions. There was no material impact upon adoption of the new standards on the Company's unaudited condensed interim financial statements:

IAS 1 – Presentation of Financial Statements (“IAS 1”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“IAS 8”)

IAS 1 and IAS 8 were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

At the date of authorization of these unaudited condensed interim financial statements, the IASB and the IFRIC have issued certain pronouncements that are mandatory for accounting periods commencing on or after May 1, 2020. Many are not applicable or do not have a significant impact to the Company, and they have been excluded accordingly. The adoption of these amendments had no impact on the Company’s financial statements.

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), credit 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. Management is 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 the Company.

Fair value

The carrying values of cash and accounts payable approximate fair values due to the relatively short-term maturities of these financial instruments. As at October 31, 2020, 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 October 31, 2020, the Company had a cash balance of \$94,940 (April 30, 2020 – \$125,122) to settle current liabilities of \$37,839 (April 30, 2020 – \$51,377). 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 represent the maximum credit exposure.