

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Condensed Interim Financial Statements

For the three and six months ended October 31, 2020 and 2019

(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 of Capricorn Business Acquisitions Inc.

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 Chartered Professional Accountants of Canada 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, 2020	As at April 30, 2020
	\$	\$
Assets		
Current Assets		
Cash (Note 8)	94,940	125,122
Prepaid expenses	942	942
Total Assets	95,882	126,064
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	37,839	51,377
Total Liabilities	37,839	51,377
Shareholders' Equity		
Share capital (Note 5)	731,332	731,332
Share-based payments reserve (Note 6)	39,368	39,000
Accumulated deficit	(712,657)	(695,645)
Total Shareholders' Equity	58,043	74,687
Total Liabilities and Shareholders' Equity	95,882	126,064

Nature of operations (Note 1)

Going concern (Note 2)

Approved on behalf of the Board of Directors:

"Alex Storcheus" (signed)
Director

"Yvan Routhier" (signed)
Director

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

Capricorn Business Acquisitions Inc.

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Unaudited Condensed Interim Statements of Operations and Comprehensive Loss

For the three and six months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

	Three months ended October 31, 2020	Three months ended October 31, 2019	Six months ended October 31, 2020	Six months ended October 31, 2019
	\$	\$	\$	\$
Expenses				
Professional fees	3,839	6,627	10,898	18,504
Filing fees	4,155	7,855	5,568	9,266
Office and general	178	-	178	668
Stock-based compensation (Note 6)	-	-	368	-
Interest expense	-	1,361	-	2,723
Total Expenses	(8,172)	(15,843)	(17,012)	(31,161)
Extinguishment of accounts payable	-	-	-	66
Net Loss and Comprehensive Loss	(8,172)	(15,843)	(17,012)	(31,095)
Loss per share				
– basic and diluted	(0.001)	(0.002)	(0.003)	(0.005)
Weighted average number of shares outstanding				
– basic and diluted	6,750,509	6,750,509	6,750,509	6,750,509

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Capricorn Business Acquisitions Inc.

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Unaudited Condensed Interim Statements of Changes in Shareholders' Equity

For the six months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

	Number of shares	Share capital	Share-based payments reserve	Accumulated deficit	Total
	#	\$	\$	\$	\$
Balance, May 1, 2019	6,750,509	731,332	56,896	(670,030)	118,198
Net loss and comprehensive loss	-	-	-	(31,095)	(31,095)
Balance, October 31, 2019	6,750,509	731,332	56,896	(701,125)	87,103
Balance, May 1, 2020	6,750,509	731,332	39,000	(695,645)	74,687
Stock-based compensation (Note 6)	-	-	368	-	368
Net loss and comprehensive loss	-	-	-	(17,012)	(17,012)
Balance, October 31, 2020	6,750,509	731,332	39,368	(712,657)	58,023

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 six months ended October 31, 2020 and 2019

(Expressed in Canadian dollars)

	2020	2019
	\$	\$
Cash Flows from Operating Activities		
Net loss for the period	(17,012)	(31,095)
Adjustments for:		
Stock-based compensation (Note 6)	368	-
Extinguishment of accounts payable	-	(66)
Finance costs	-	2,723
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities (Note 4)	(13,538)	15,795
Net Cash used in Operating Activities	(30,182)	(12,643)
Decrease in cash	(30,182)	(12,643)
Cash, beginning of period	125,122	218,749
Cash, end of period	94,940	206,106

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

Capricorn Business Acquisitions Inc.

(A Capital Pool Corporation)

Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended October 31, 2020 and 2019

(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”), 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 Qualifying Transaction prior to March 9, 2012 and its 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 Qualifying Transaction under the policies of the Exchange. If a Qualifying Transaction is not completed, the Company will need to identify other sources of financing to remain a going-concern entity. The Company’s ability to continue as a going concern is also dependent upon its eventual 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. As a result, 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 unaudited condensed interim financial statements. Such adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company’s unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34 – Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by IFRS for annual financial statements. For further information, refer to the Company’s audited financial statements including the notes thereto for the year ended April 30, 2020.

These unaudited condensed interim financial statements were reviewed, approved and authorized for issue by the Company’s Board of Directors (the “Board”) on December 10, 2020.

Basis of measurement

These unaudited condensed interim financial statements have been prepared on the historical cost basis. In addition, these financial statements are also presented in Canadian dollars, which is the Company’s functional currency.

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(A Capital Pool Corporation)

Notes to Unaudited Condensed Interim Financial Statements

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets at fair value through other comprehensive income (continued)

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting estimates and judgments (continued)

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 IFRS Interpretations Committee 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 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:

	October 31, 2020	April 30, 2020
	\$	\$
Less than 90 days	4,988	6,470
Greater than 90 days	32,851	44,907
	37,839	51,377

5. SHARE CAPITAL

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

	Number of common shares	Value
	#	\$
Balance, October 31, 2020 and April 30, 2020	6,750,509	731,332

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6. SHARE-BASED PAYMENTS RESERVE

The Company maintains a stock option plan (the "Plan") whereby certain 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. Stock-based compensation is recognized over the vesting period. The Board of the Company may from time to time, in its discretion, grant to officers, directors and consultants of the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five years from the date of grant. The Company is currently in the process of updating the Plan to allow the number of common shares reserved for issuance to be greater than 10%.

On June 1, 2020, the Company granted 92,430 stock options to its officers at an exercise price of \$0.10, expiring on April 17, 2022. The options vested immediately on grant. The options were valued using the Black-Scholes valuation model with the following assumptions: expected volatility of 109%, expected dividend yield of 0%, risk-free interest rate of 0.29% and an expected life of 1.88 years. The grant date fair value attributable to these options of \$368 was recorded as stock-based compensation in connection with the vesting of options during the six months ended October 31, 2020.

The following table summarizes information of options outstanding as at October 31, 2020:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted Average remaining life
	#	#	\$	Years
April 17, 2022	520,000	520,000	0.10	1.46
April 17, 2022	92,430	92,430	0.10	1.46
	612,430	612,430	0.10	1.46

7. 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 six months ended October 31, 2020 and the year ended April 30, 2020.

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 Qualifying Transaction by the Company as defined under the policies of the Exchange. As at October 31, 2020, 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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9. 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 (see Note 6 for details). 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.

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), 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.

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11. 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.