

**CAPRICORN BUSINESS ACQUISITIONS INC.**  
**(A Capital Pool Corporation)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED APRIL 30, 2020**

**August 13, 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 audited financial statements of the Company for the year ended April 30, 2020 ("Fiscal 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 the reader 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" or the "QT"), as defined in Exchange Policy 2.4.

The directors of the Company continue to seek out appropriate potential business opportunities with a view to complete a QT within the meaning of the TSX-V policies.

**Recent Developments**

On July 1, 2019, the Company entered into a letter of intent ("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. On November 12, 2019, Capricorn and TO Skincare agreed to terminate the LOI. The Company will continue to identify and evaluate other opportunities for the purpose of completing a Qualifying Transaction under Exchange policy 2.4.

On July 1, 2019, the Company amended the terms of an aggregate amount of \$45,000 (the "Loan") from three lenders, by extending the maturity date by a further six months to December 16, 2019.

On December 16, 2019, the Loan balance, comprised of the principal amount of \$45,000 and total interest of \$16,076, was repaid to the lenders.

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. The stock options vested immediately on grant.

## Selected Financial Information

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

	Year ended April 30, 2020	Year ended April 30, 2019	Year ended April 30, 2018
	\$	\$	\$
Total expenses	(43,577)	(31,830)	(24,928)
Extinguishment of debts	66	21,868	-
Net loss and comprehensive loss	(43,511)	(9,962)	(24,928)
Loss per share	(0.006)	(0.002)	(0.004)
Total assets	126,064	219,691	240,230
Total liabilities	51,377	101,493	112,070
Shareholders' equity	74,687	118,198	128,160

## Results of Operations

### Year ended April 30, 2020

The Company incurred a net loss of \$43,511 during Fiscal 2020, compared to a net loss of \$9,962 in the comparative period. The increase in net loss is mainly due to legal, professional & filing fees incurred, which was partially offset by lower interest recorded on extinguishments of the Loan.

The loss per share for the year ended April 30, 2020 was \$0.006 compared to a loss per share of \$0.002 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:

Period	Net income (loss)	Income (loss) per share
	\$	\$
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)
2019 Q2	(12,078)	(0.002)
2019 Q1	(7,555)	(0.001)

## Liquidity and Financial Position

As at April 30, 2020, Capricorn had a cash balance of \$125,122, compared to a cash balance of \$218,749 as at April 30, 2019. Total funds of \$61,076 had been used to repay the Loan (as defined below) during the current year. As a result, total liabilities were reduced to \$51,377 as at April 30, 2020, compared to \$101,493 as at April 30, 2019.

Shareholder' equity decreased from \$118,198 as at April 30, 2019 to \$74,687 as at April 30, 2020, as a result of the higher net loss of \$43,511 incurred during the year ended April 30, 2020.

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 years ended April 30, 2020 and 2019.

### **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 amended the terms of the Loan by extending the maturity date by a further six months to December 16, 2019.

On December 16, 2019, the Loan balance, comprised of the principal amount of \$45,000 and total interest of \$16,076, was repaid to the lenders. During the year ended April 30, 2020, interest of \$3,282 had been recorded up to the repayment of the Loan (2019 – \$5,400).

### **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**

During the year ended January 31, 2020 and 2019, the Company did not enter into any related-party transactions.

### **Outstanding Share Capital and Stock Options Data**

As at April 30, 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 April 30, 2020, the number of stock options outstanding and exercisable was 520,000.

As of the date of this MD&A, the number of common shares had remained unchanged, and there are 612,430 outstanding and exercisable stock options on hand.

### **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.

### **Subsequent Events**

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. The stock options vested immediately on grant.

## Summary of Significant Accounting Policies

### *Financial instruments*

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: (i) those to be measured subsequently at FVTPL; (ii) those to be measured subsequently at 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 April 30, 2020, there are no financial instruments measured at FVTOCI or FVTPL.

### 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:

	<b>Classification</b>
Cash	Amortized cost
Accounts payable	Amortized cost
Loans 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.

#### *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 taxation is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, the deferred taxation is not recognized if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred taxation asset is realized or the deferred taxation liability is settled.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

#### *Loss per share*

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes exercise

or contingent issuance of options, and securities only when such exercise or issuance would have a dilutive effect on loss per share. For the years ended April 30, 2020 and 2019, no potential shares are included in the computation as they are anti-dilutive.

#### *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, 2020 and 2019, the Company had no material provisions.

#### *Accounting estimates and judgments*

The preparation of these financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in these financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the fair value of options issued and the fair value of financial assets and liabilities. Significant judgments include management's assessment of the Company's ability to continue as a going concern and its ability to obtain additional financing to complete a QT.

#### *Changes in accounting policies*

The Company adopted the following standard, effective May 1, 2019. 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 financial statements:

##### IFRS 16 – Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under 12 months in length or for assets of low value, IFRS 16 states that upon lease commencement, a lessee recognizes a right-of-use (“ROU”) asset and a lease liability. The ROU asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the ROU asset at cost less accumulated amortization and accumulated impairment. A lessee shall

either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease.

The Company has reviewed its leasing arrangements outstanding as at May 1, 2019, in respect of the new lease standard, and had assessed that there is no impact of adopting this new standard on the Company's financial statements as it is not a party to any leases.

#### IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”)

IFRIC 23 was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. The adoption of this accounting policy had no impact on the financial statements.

#### *New accounting standards*

As at the date of authorization of these financial statements, the IASB and the IFRIC had issued certain pronouncements that are mandatory for the Company's accounting periods commencing on or after May 1, 2020. Many are not applicable or do not have a significant impact to the Company and have been excluded. The Company is currently assessing the impact of adopting the new standards or amendments will have on its financial statements. No material impact is expected upon the adoption of the following new standard:

#### 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. The amendments are effective for annual reporting periods beginning on or after May 1, 2020.

### **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 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 loans payable approximate fair values due to the relatively short-term maturities of these financial instruments. As at April 30, 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 April 30, 2020, the Company had a cash balance of \$125,122 (April 30, 2019 – \$218,749) to settle current liabilities of \$51,377 (April 30, 2019 – \$101,493). 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.

### **Proposed Transaction**

On July 1, 2019, the Company entered into an LOI with 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 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 \$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 of secured convertible debenture units ("Units") at a price of \$1,000 per Unit for gross proceeds of up to \$1,500,000. Each Unit will consist of (i) a convertible debenture that has a face value of \$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 \$0.50 per share 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 \$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.

On November 12, 2019, Capricorn and TO Skincare agreed to terminate the LOI.