

# **Capricorn Business Acquisitions Inc.**

**(A capital pool corporation)**

**Condensed Interim Financial Statements**

**For the three and nine months period ended January 31, 2015 and 2014**

**(Expressed in Canadian dollars)**

**(Unaudited – Prepared by Management)**

## **NOTICE TO READER**

The condensed interim financial statements for the three and nine months ended January 31, 2015 have been prepared by management and have not been audited or reviewed by the Company's auditor

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# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Condensed Interim Statements of Financial Position  
(Expressed in Canadian dollars)  
(Unaudited)

<u>Assets</u>	January 31, 2015 (Unaudited)	April 30, 2014
<b>Current</b>		
Cash and cash equivalents (Note 4)	\$ 30,602	\$ 45,114
Prepaid expenses	942	942
<b>Total current assets</b>	<b>31,544</b>	<b>46,056</b>
<b>Total assets</b>	<b>\$ 31,544</b>	<b>\$ 46,056</b>
<u>Liabilities</u>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 36,566	\$ 30,553
<b>Total current liabilities</b>	<b>36,566</b>	<b>30,553</b>
<u>Shareholders' equity (deficiency)</u>		
Share capital (Note 6)	471,829	471,829
Share option reserve (Note 6)	78,492	78,492
Accumulated deficit	(555,343)	(534,818)
<b>Total shareholders' equity (deficiency)</b>	<b>(5,022)</b>	<b>15,503</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 31,544</b>	<b>\$ 46,056</b>

Authorized for issuance by the Board of Directors on March 27, 2015.

"Gary Hokkanen" \_\_\_\_\_ Director "Yvan Routhier" \_\_\_\_\_ Director

See accompanying notes.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

## Condensed Interim Statements of Operations and Comprehensive Loss

For the three and nine months period ended January 31,

(Expressed in Canadian dollars)

(Unaudited)

	<b>Three months ended January 31, 2015</b>	Three months ended January 31, 2014	<b>Nine months ended January 31, 2015</b>	Nine months ended January 31, 2014
<b>Expenses</b>				
Professional fees	\$ 2,837	\$ 2,884	\$ 13,935	\$ 9,576
Filing fees	1,413	1,413	6,991	7,740
<b>Total expenses</b>	<b>4,250</b>	4,297	<b>20,926</b>	17,316
Interest income	-	-	(401)	(37)
<b>Net loss and comprehensive loss</b>	<b>\$ (4,250)</b>	\$ (4,297)	<b>\$ (20,525)</b>	\$ (17,279)
<b>Loss per weighted average number of shares outstanding – basic and diluted</b>				
Loss per share	\$ (0.001)	\$ (0.001)	\$ (0.004)	\$ (0.003)
<b>Weighted average number of shares</b>				
Outstanding – basic and diluted	5,744,400	5,744,400	5,744,400	5,744,400

See accompanying notes.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Condensed Interim Statements of Changes in Equity  
For the nine months period ended January 31,  
(Expressed in Canadian dollars)  
(Unaudited)

	Share capital Number of shares	Share capital amount	Share option reserve	Accumulated deficit	Total
<b>Balance at May 1, 2014</b>	7,394,400	\$ 471,829	\$ 78,492	\$ (534,818)	\$ 15,503
Net loss and comprehensive loss	-	-	-	(20,525)	(20,525)
<b>Balance at January 31, 2015</b>	7,394,400	\$ 471,829	\$ 78,492	\$ (555,343)	\$ (5,022)
<b>Balance at May 1, 2013</b>	7,394,400	\$ 471,829	\$ 78,492	\$ (513,309)	\$ 37,012
Net loss and comprehensive loss	-	-	-	(17,279)	(17,279)
<b>Balance at January 31, 2014</b>	7,394,400	\$ 471,829	\$ 78,492	\$ (530,588)	\$ 19,733

See accompanying notes.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Condensed Interim Statements of Cash Flows  
For the nine months period ended January 31,  
(Expressed in Canadian dollars)  
(Unaudited)

	2015	2014
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (20,525)	\$ (17,279)
Changes in non-cash working capital items:		
Other receivables	-	510
Accounts payable and accrued liabilities	6,013	(6,479)
Net cash used in operating activities	(14,512)	(23,248)
<b>Net decrease in cash and cash equivalents</b>	<b>(14,512)</b>	<b>(23,248)</b>
<b>Cash and cash equivalents – beginning of period</b>	<b>45,114</b>	<b>68,362</b>
<b>Cash and cash equivalents - end of period</b>	<b>\$ 30,602</b>	<b>\$ 45,114</b>
<b>Supplemental Cash flow Information</b>		
Interest paid	-	-
Income taxes paid	-	-

See accompanying notes.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 1. NATURE OF THE CORPORATION

Capricorn Business Acquisitions Inc. (the "Company" or "Capricorn") was incorporated under the Business Corporations Act (Ontario) on May 7, 2008 and is classified as a Capital Pool Corporation ("CPC") as defined in TSX Venture Exchange Inc. (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, 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.

The Company was unable to complete a qualifying transaction prior to March 9, 2012 and the Company's shares were suspended from trading on the TSX Venture Exchange on March 12, 2012. On June 14, 2012, the Company's shares were transferred to the NEX board.

## 2. GOING CONCERN

The 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 ("QT") under the policies of the Exchange. If a QT is not completed, the Company will need to identify other sources of finance to remain a going-concern entity. These financial statements do not purport to give effect to adjustments, if any, that may be necessary should the Company be unable to continue and therefore, be required to realize its assets and discharge its liabilities in a manner other than in the ordinary course of business.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

The unaudited condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB").

### Basis of preparation

These unaudited condensed interim financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

### 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.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments

#### *Financial assets*

Financial Assets are classified into one of four categories:

- 1) Fair Value through profit or loss ("FVTPL");
- 2) Held-to-maturity ("HTM");
- 3) Loans and receivables; and
- 4) Available-for-sale ("AFS")

#### *Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL assets are measured at fair value, and changes, are recognized in profit or loss. Cash and cash equivalents are classified as FVTPL.

#### *Held-to-maturity ("HTM")*

Financial assets that have a fixed maturity date and which the Company has positive intention and the ability to hold to maturity are classified as held-to-maturity and are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire held-to-maturity financial instruments are included in the underlying balance. No financial assets were classified as held-to-maturity.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables are initially recognized at fair value and subsequently at amortized cost using the effective interest rate method. Transaction costs incurred to acquire loans and receivables financial instruments are included in the underlying balance. Other receivables are classified as loans and receivables.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Financial instruments (Cont'd)

#### *Available for sale ("AFS")*

Available-for-sale assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income, except for investments in equity instruments that do not have a quoted market price in an active market which should be measured at cost. Interest on available-for-sale assets is calculated using the effective interest rate method and is recognized in the net income. Transaction costs incurred to acquire available-for-sale financial instruments are included in the underlying balance. When there is objective evidence that the asset is impaired, the cumulative loss included in accumulated other comprehensive income is removed and recognized in net income. Gains and losses realized on disposal of available-for-sale securities are recognized in net income. No financial assets were classified as available-for-sale.

#### *Financial liabilities*

Financial Liabilities are classified into one of two categories:

- 1) Fair Value through profit or loss; and
- 2) Other financial liabilities

#### *Financial liabilities at fair value through profit or loss*

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with the changes in fair value recognized in the statement of operations and comprehensive loss. The Company has no financial liabilities at FVTPL.

#### *Other financial liabilities*

Other financial liabilities are recognized at amortized cost. The Company classified its financial liabilities which consisted of accounts payable and accrued liabilities as other financial liabilities.

#### *Financial instruments recorded at fair value*

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments.
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. 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 year. 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.

### Income taxes

The Company accounts for income taxes in accordance with the liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and losses carried forward.

Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in operations in the year that includes the date of enactment or substantive enactment.

Current income taxes are recognized for the estimated income taxes payable for the current year.

Deferred income tax assets are recognized to the extent that management believes that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 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 option reserves. Options granted to non-employees are measured at 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 option reserves. 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. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserve is transferred to share capital to recognize the total consideration for the shares issued.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Comprehensive income

Other comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Comprehensive income comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the statement of financial position. At present, the Company has no other comprehensive income or loss.

### Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

### 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 revision 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 recoverability of amounts receivable, the fair value of options issued and the fair value of financial assets and liabilities. Actual results may differ from those estimates.

# Capricorn Business Acquisitions Inc.

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January 31, 2015

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Adoption of new accounting policies

The Company applied the following new and revised IFRSs during the year:

IFRS 13 – Fair Value Measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRS. IFRS 13 clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. It also establishes disclosures about fair value measurement. The adoption of this standard did not result in any significant changes to the Company’s disclosures of its financial instruments.

### Recent accounting pronouncements issued and not yet applied

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9, Financial Instruments (IFRS 9), was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is required to be applied for accounting years beginning on or after January 1, 2018, with earlier adoption permitted. The Company is currently assessing the impact on its financial statements.

## 4. 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 January 31, 2015, the Company had exceeded this limit.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 5. LOAN RECEIVABLE, SECURED

On April 4, 2011, the Company provided a secured interest bearing loan in the principal amount of \$225,000 to Caldera Geothermal Inc. ("Caldera"), with whom it had a letter agreement to complete a Qualifying Transaction.

The loan bears simple interest at the rate equal to 8% per annum, calculated monthly, and the principal and accrued and unpaid interest are fully repayable on the earlier of (i) June 30, 2011, (ii) the completion of the Qualifying Transaction and (iii) the occurrence and continuance of an event of default. The loan is secured by a first charge against the shares of Geothermal Technical Partners Inc., Caldera's wholly owned operating subsidiary (which holds all of Caldera's geothermal assets), and on certain other assets of Caldera.

On October 19, 2011, the Company announced that it has formally terminated the letter agreement entered with Caldera for a proposed Qualifying Transaction. Capricorn had agreed to extend the term of the promissory note securing the loan to March 30, 2012, accruing interest at the same rate of 8% per annum calculated annually, with all other terms and conditions remaining unchanged.

The termination of the Caldera Qualifying Transaction requires management to consider whether impairment of the Company's \$225,000 loan receivable and related \$1,233 interest receivable exists. Pursuant to International Accounting Standard 39, "Financial Instruments: Recognition and Measurement", ("IAS 39") the Caldera loan is a financial asset classified under loans and receivables. Loans and receivables are carried at amortized cost.

Under IAS 39 paragraph 63 if there is objective evidence that an impairment loss on a loan has been incurred, the amount of the loss must be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of the loss shall be recognized in profit or loss.

Based on the termination of the agreement with Caldera, objective evidence exists that the loan is impaired. Management has determined estimated future cash flows on the loan to be nil and has recorded an impairment loss of \$226,233 at the date of termination of the agreement during the year ended April 30, 2012.

No interest income was recorded on this impaired loan for the nine month period ended January 31, 2015, or the years ended April 30, 2014 and 2013.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 6. SHARE CAPITAL

Authorized

Unlimited number of common shares without par value

Issued

	Number	Value
Balance at April 30, 2013	7,394,400	\$ 471,829
<b>Balance at April 30, 2014 and January 31, 2015</b>	<b>7,394,400</b>	<b>\$ 471,829</b>

The Company had issued 2,900,000 seed common shares, which are considered contingently issuable until the Company completes a Qualifying Transaction and they are not considered to be outstanding shares for purposes of loss per share calculation.

### a) Stock Options

The Company awards stock options to directors, officers and technical consultants under an incentive stock plan (the "Plan"). Options are granted at the fair market value of the shares on the day granted, and vest over various terms. Compensation expense is recognized over the vesting period. The board of directors of the Company may from time to time, in its discretion, grant to directors, officers, and technical 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 their plan to allow the amount of common shares reserved for issuance to be greater than ten percent (10%). The following is a continuity schedule of outstanding options for the reporting period, where "WAEP" refers to weighted average exercise price.

# Capricorn Business Acquisitions Inc.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 6. SHARE CAPITAL (Cont'd)

### a) Stock Options (Cont'd)

	No. of Options	WAEP
Outstanding at May 1, 2013	864,439	\$ 0.10
Granted	-	-
Exercised	-	-
Forfeited	-	-
Expired (ii)	-	-
Outstanding at April 30, 2014 and January 31, 2015	864,439	\$ 0.10
Exercisable at April 30, 2014 and January 31, 2015	864,439	\$ 0.10

The following table summarizes stock options outstanding at January 31, 2015.

No. Outstanding	Expiry Date	Exercisable Date	WAEP
(i) 864,439	February 26, 2015	February 26, 2010	\$0.10
864,439			\$0.10

- (i) The Company granted 864,439 stock options exercisable at \$0.10 per share to directors and officers of the Company. The fair value of the options granted to directors and officers was estimated at \$54,264, using the Black-Scholes pricing model, with the following weighted average assumptions: dividend yields of 0%, volatility factors of the expected market price of comparable companies of 75%, risk-free interest rate of 3%, a weighted average expected life of 5 years and share price of \$0.10.

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

### b) Share Option Reserve

Share option reserve balance represents stock-based compensation of \$54,264 and the fair value of options granted to the agent under the Initial Public Offering of \$24,228.

# Capricorn Business Acquisitions Inc.

(A capital pool corporation)

Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 7. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

The Company includes equity, comprising of share capital, share option reserve and accumulated deficit in the definition of capital.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in note 4.

## 8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk and foreign currency 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. The officers 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, other receivables, accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

At January 31, 2015, the Company's financial instruments that are carried at fair value, consisting of cash and cash equivalents are classified as Level 1 within the fair value hierarchy.

### **Interest rate risk:**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents earn nominal interest. The Company does not believe there is any other interest rate risk.

### **Foreign currency risk:**

The Company's functional currency is the Canadian dollar. All of the Company's cash is in Canadian dollars. All of the Company's transactions are denominated in Canadian dollars.

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Notes to Condensed Interim Financial Statements

(Expressed in Canadian Dollars)

(Unaudited)

January 31, 2015

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## 8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Cont'd)

### Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures.

As at January 31, 2015, the Company has accounts payable and accrued liabilities of \$36,566 (April 30, 2014 - \$30,553) due within 12 months and has cash and cash equivalents of \$30,602 (April 30, 2014 - \$45,114) to meet its current obligations. As a result the Company has minimal liquidity risk.

### Credit risk:

The Company's exposure to credit risk 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.

## 9. SUBSEQUENT EVENT

On February 27, 2015, the Company granted incentive stock options to directors and officers to purchase a total of 739,438 common shares of the Company at the exercise price of \$0.05 exercisable until February 27, 2020. The options were granted pursuant to the terms of the Company's stock option plan. All previously issued and outstanding options of the Company had expired unexercised on February 26, 2015.