

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FISCAL 2016 ENDED APRIL 30, 2016  
August 27, 2016**

The following discussion and analysis of the operating results and financial position is supplementary to, and should be read in conjunction with, the audited financial statements for the year ended April 30, 2016 of Capricorn Business Acquisitions Inc. ("Capricorn" or the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). All monetary amounts are expressed in Canadian dollars.

**FORWARD-LOOKING INFORMATION**

The discussion and analysis and other sections of this report contain forward-looking statements. These forward-looking statements, 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 Business Acquisitions Inc.***

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 "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 currently has two employees, Yvan Routhier, Chief Executive Officer and Gary N. Hokkanen, Chief Financial Officer. Other than the initial grant of stock options upon closing of the Company's IPO (to all directors) neither officer is compensated by the Company.

## **Recent Developments**

The directors of the Company continue to seek out appropriate potential qualifying transactions.

## **Selected Annual Information**

Summarized selected financial information with respect to Capricorn for the years ended April 30, 2016, 2015 and 2014 is as follows:

	Year ended April 30, 2016	Year ended April 30, 2015	Year ended April 30, 2014
Total expenses	\$ 18,120	\$ 45,851	\$ 21,546
Net finance (income)	(16)	(638)	(37)
Loss and comprehensive loss	(18,104)	(45,213)	(21,509)
Loss per share	(0.003)	(0.008)	(0.004)
Total assets	24,329	31,781	46,056
Total liabilities	54,274	43,595	30,553
Shareholders' equity (deficiency)	(29,918)	(11,814)	15,503
Cash dividends declared	-	-	-

## **Results of Operations**

### **Three-month period ended April 30, 2016 compared to 2015**

Capricorn recorded a loss of \$1,995 during the three-month period ended April 30, 2016 compared to a loss of \$6,791 during the comparative period in the prior year. The loss in the current and comparative periods is mainly the result of professional fees and filing fees.

Loss per share during the three-month period ended April 30, 2016 was \$0.001 compared to loss per share of \$0.001 during the comparative period in the prior year.

### **Year ended April 30, 2016 compared to 2015**

Capricorn recorded a loss of \$18,104 during the year ended April 30, 2016 compared to a loss of \$45,213 during the comparative year. The loss in the current year is mainly the result of professional fees and filing fees. In the current year, the loss was mainly attributable to legal costs associated with the Rain Forest qualifying transaction, accrued audit fees, filing fees and professional fees associated with financial reporting.

Loss per share during the year ended April 30, 2016 was \$0.003 compared to loss per share of \$0.008 during the comparative year.

## **Summary of Quarterly Results**

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

<b>Period:</b>	<b>Net finance income</b>	<b>Profit (loss):</b>	<b>Earnings (Loss) Per Share:</b>
2016 Q4	16	(18,104)	(0.003)
2016 Q3	7	(9,592)	(0.002)
2016 Q2	-	(4,033)	(0.0007)
2016 Q1	9	(2,483)	(0.0004)
2015 Q4	237	(24,640)	(0.004)
2015 Q3	-	(4,297)	(0.001)
2015 Q2	46	(10,481)	(0.002)
2015 Q1	355	(5,795)	(0.001)

## **Liquidity**

At April 30, 2016, Capricorn had \$23,387 in cash and cash equivalents. On April 30, 2015, Capricorn had cash balances of \$30,839. The decline in cash is associated with normal business expenditures incurred as a result of pursuing qualifying transactions and maintaining public company status.

Total liabilities were \$54,247 at April 30, 2016, up from \$43,595 at April 30, 2015. The increase is primarily attributable to legal accruals during the period.

Shareholders' equity decreased from \$(11,814) on April 30, 2015 to \$(29,998) on April 30, 2016 as a result of the \$18,104 loss recorded during the year ended April 30, 2016.

Capricorn believes it has sufficient remaining capital resources to consummate an alternative qualifying transaction.

### Capital Resources

Capricorn financed operations during the year ended April 30, 2016 through the remaining net cash proceeds of the initial public offering.

## **Off-Balance-Sheet Arrangements**

As of April 30, 2016, Capricorn had no off-balance-sheet arrangements.

## **Related-Party Transactions**

None.

## **Share Capital**

As at April 30, 2016, Capricorn had authorized unlimited common shares without par value and had issued 739,438 common shares. During the year ended April 30, 2016, none stock options expired, and the company did not issue stock options to the directors and officers of the Company.

## **Financial Instruments and Other Instruments**

Capricorn' financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities. It is management's opinion that Capricorn is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair values of these financial instruments.

## **Critical Accounting Estimates**

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee. The critical accounting policies followed by the Company are as follows:

### *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 assessment of going concern and uncertainties of the Company's ability to raise additional capital and/or obtain financing to complete a qualifying transaction. Actual results may differ from those estimates.

### *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 as 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. FVPTL assets are measured at fair value, and changes are recognized in profit or loss. Cash is 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.

*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 a decline in fair value is determined to be other-than-temporary, 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.

### *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 the options are fully vested, with an offsetting credit to share option reserves. 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 reserves is transferred to share capital to recognize the total consideration for the shares issued.

### *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 earnings (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 earnings (loss) per share.

## **Financial Instruments and Financial Risk Management**

The Company is exposed to different types of risks in the normal course of operations, including credit risk and liquidity risk as follows:

### a) Fair Value

The carrying values of cash and cash equivalents, other receivables and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

## b) Credit Risk

The Company's exposure to credit risk arises from the possibility that its debtors may fail to meet their obligations. The Company continually evaluates the collectability of amounts receivable and records an allowance for doubtful accounts, which reduces the receivables to the amount management reasonably believes will be collected.

The Company manages the credit exposure related to cash and cash equivalents of \$23,387 as at April 30, 2016 by making sure that the trust funds held by a legal firm is maintained in bank accounts with Schedule 1 banks in Canada.

The carrying amount of cash and cash equivalents and other receivables represents the maximum credit exposure.

## c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company controls liquidity risk by ensuring that it has sufficient cash resources to pay for its financial obligations.

## **Outlook**

The Company has completed its initial public offering and has attempted to consummate two different qualifying transactions. The Company aborted the Caldera qualifying transaction and later agreed to an alternative qualifying transaction known as Energex. Energex was an oil and gas exploration entity that will require significant funding to close. Capital markets for oil and gas businesses have recently become difficult especially for start ups and therefore the Company has not been able to close the Energex transactions nor has it renewed the expired letter of intent.

Although management has reduced the cost of operations to the bare minimum just to maintain its status as a public company, cash balances have fallen to the point where if a qualifying transaction does not close over the next 12 months other alternatives will have to be sought.