PROSPECT PARK CAPITAL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED

DECEMBER 31, 2015

Introduction

This Management's Discussion and Analysis ("**MD&A**") is dated February 29, 2016, unless otherwise indicated and should be read in conjunction with the unaudited interim financial statements of Prospect Park Capital Corp. (the "Corporation") for the three months ended December 31, 2015 and the audited financial statements for the year ended September 30, 2015, and the related notes thereto. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the three months ended December 31, 2015 are not necessarily indicative of the results that may be expected for any future period.

The Corporation applies International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the IFRS Interpretations Committee ("**IFRIC**").

Further information about the Corporation and its operations can be obtained from the offices of the Corporation or from **www.sedar.com**.

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "**forward-looking statements**"). These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Corporation's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk and Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Corporation's ability to meet its working capital needs at the current level for the next twelve-month period; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; and general business and economic conditions.

All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Corporation does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Description of Business

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on September 7, 2012 and to date there have been limited operations. The registered office of the Corporation is located at 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3. The Corporation's financial year ends on September 30.

On March 28, 2013, the Corporation completed an initial public offering (the "**Offering**") pursuant to Policy 2.4 – *Capital Pool Companies* ("**Policy 2.4**") of the TSX Venture Exchange ("**Exchange**") and became classified as a Capital Pool Company (as such term is defined in Policy 2.4). The Corporation's common shares were listed on the Exchange on March 27, 2013 and commenced trading under the symbol "PPK.P" on March 28, 2013. As a Capital Pool Company the Corporation's principal business was the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as such term is defined in Policy 2.4).

On October 7, 2013, the Corporation announced that it had entered into three agreements for investments in Skyline Medical Inc. ("**Skyline**"), JB Therapeutics and IOI, LLC ("**IOI**"). Pursuant to the terms of the agreements and subject to completion of certain conditions precedent, including, satisfactory due diligence, execution of definitive agreements and receipt of all necessary director, shareholder, regulatory and Exchange approvals, the proposed transactions were intended to qualify as the Corporation's Qualifying Transaction.

Pursuant to a subscription agreement dated October 2013 between IOI and the Corporation (the "**IOI Investment**"), the Corporation agreed to acquire from IOI approximately 5.0% to 7.5% of the outstanding interests of the members of IOI ("**IOI Membership Interest**") for the purchase price of US$150,000. On October 20, 2014, the Corporation completed the acquisition and purchased 5.66% in IOI Membership interest for $169,260 (US$150,000). IOI, as co-lender, and various lenders entered into a credit and guaranty agreement dated as of July 12, 2013 with Serenity Pharmaceuticals, LLC ("**Serenity**") as borrower and Firefly Agent, LLC as administrative agent ("**IOI Credit Agreement**"). Pursuant to the IOI Credit Agreement, IOI (as to 20%) and the Lenders (as to 80%) agreed to extend to Serenity a US$15,000,000 senior secured first lien multi-draw term loan (the "**Minimum Term Loan**"), subject to an increase of up to US$5,000,000 to US$20,000,000 (the "**Maximum Term Loan**") at Serenity's option subject to certain qualifications as outlined in the IOI Credit Agreement.

Pursuant to a share purchase agreement dated August 28, 2014 between SOK Partners LLC ("**SOK**") and the Corporation (the "**SOK Agreement**"), the Corporation agreed to acquire (such acquisition, the "**Skyline Investment**") 10,423,309 common shares ("**Skyline Shares**") of Skyline from SOK for the purchase price of $1,000,000. Subsequent to the purchase, Skyline underwent a 75 for 1 share consolidation. The purchase price was payable as follows: (i) $400,000 payable in cash at closing; (ii) $300,000 payable at the closing by the issuance of 1,304,347 common shares of the Corporation at a deemed price of $0.23 per share; and (iii) $300,000 payable within six (6) months of the closing by the issuance of 1,714,285 common shares of the Corporation at a deemed price of $0.175 per share (the Corporation and SOK are currently negotiating an extension or waiver of this payment against the January 18, 2015 Downside Protection (defined below)). On October 23, 2014, the Corporation completed the transaction and paid both the $400,000 cash and issued the initial 1,304,347 common shares. Pursuant to the SOK Agreement, SOK agreed to provide downside protection to Prospect Park for the Skyline Shares acquired pursuant to the Skyline Investment ("Downside Protection"). The Downside Protection is to be determined as of January 18, 2015 (the 90th calendar day after Closing) and as of October 20, 2015 (the 12 month anniversary of Closing) and provides for additional shares issuable to the Corporation as protection, in accordance with a formula detailed in the SOK Agreement. Pursuant to the SOK Agreement the Downside Protection on October 20, 2015 was deemed null and void upon Skyline's Nasdaq listing in August 2015.

On August 28, 2014, the Corporation received conditional approval from the Exchange for its Qualifying Transaction. The Corporation called an annual and special meeting of shareholders for September 25, 2014 (the "**Meeting**") to consider (among other matters) the Majority of the Minority Shareholder Approval (as such term is defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**")) of the Skyline Investment and the IOI Investment (together, the "**Transactions**"). Subject to completion of certain conditions precedent, including, receipt of all necessary regulatory and Exchange approvals, the Transactions will collectively constitute the Corporation's "Qualifying Transaction".

The Corporation did not proceed with the previously announced proposed investment in JB Therapeutics.

As SOK, Skyline and IOI may each be considered a "related party" to the Corporation, the Transactions were considered a "related party transaction" (as such term is defined in MI 61-101) and, accordingly, required (among other things) Majority of the Minority Shareholder Approval at the Meeting. At the Meeting the Transactions were approved.

Further details regarding SOK, Skyline, IOI, the Transactions, the Meeting, and the "related parties" can be found in the management information circular for the Meeting and the News Release issued by the Corporation on August 29, 2014.

On October 23, 2014, the Corporation announced the closing of the Qualifying Transaction.

Headquartered in Toronto, Canada, the Corporation continues in the business of a public healthcare focused investment corporation.

Discussion of Operations

As at December 31, 2015, the Corporation had assets of $933,831 compared to $978,708 at September 30, 2015, and liabilities of $524,766 (September 30, 2015 - $553,402). Included in the assets are $259,066 of cash and cash equivalents, $582,993 of Skyline shares, an $80,963 loan receivable, and other receivables in the amount of $10,809. The net asset value (calculated as total assets less total liabilities) per share as at December 31, 2015 was $0.05 compared to $0.05 as at September 30, 2015.

On November 9, 2015, the Corporation's investment in IOI was purchased by a private investment group. In consideration for selling its IOI Membership interest, Prospect Park received its initial capital returned (US$150,000) plus an 8% return (US$12,000) and retained its ability to collect an additional 32% should the Serenity Pharmaceuticals, LLC drug successfully receive approval by the United States Food and Drug Administration.

For the three months ended December 31, 2015, the Corporation had a net loss of $16,241 (with basic and diluted loss per share of $0.00) compared to a net loss of $54,125 (with basic and diluted loss per share of $0.01) for the same period ended December 31, 2014. The increase in net loss can be attributed to a $90,877 reduction in operating expenses offset by a $54,613 decrease in net investment income.

Summary of investment income:

For the three months ended December 31,		2015		2014	% change
Net investment gains (losses)					
Gain on sale of investments	$	23,406	$	-	n/a
Gain on foreign exchange		7,632		6,000	27%
Net change in unrealized loss on investments		(31,757)		47,894	-166%
Net investment (losses) gains	$	(719)	$	53,894	-101%

Gain on sale of investments resulted from the sale of Skyline Shares in the open market.

Net change in unrealized loss on investments represents the change in the unrealized gain on the Skyline shares, including the unrealized impact of foreign exchange.

The breakdown of operating, general and administrative expenses are as follows:

		2015		2014
Legal fees and disbursements	$	508	$	86,231
Accounting and audit		11,498		5,012
Transfer agent		1,579		9,072
Filing fees		-		1,053
Rent		-		1,767
Management fee		2,087		6,021
Office		144		378
Airfare, hotel, automobile and meals		2,840		-
	$	18,657	$	109,534

There was a decrease in legal fees and disbursements compared to the prior period. Current period expenses were minimal. In the prior period more work was required, primarily with respect to completing the Transactions.

Accounting includes an accrual for the annual audit and consulting fees for the services of the Chief Financial Officer.

The Corporation leased office space and commenced paying rent in November 2014. The lease was for a period of six months and was not renewed at the end of the term.

The Corporation entered into a management agreement with Prospect Park Management Limited Partnership (the "**Manager**") to provide management, investment, valuation and administrative services and facilities to the Corporation (see Related Party Transactions). In accordance with this agreement the Corporation accrued a management fee.

Travel expenses are attributed to management travel for meetings to review potential investments as well as for its monitoring the Corporation's current investments.

Selected Quarterly Information

A summary of selected information for the quarter presented below is as follows:

Three Months Ended	Net Revenues ($)	Net Income (Loss) Total ($)	Net Income (Loss) Basic and Diluted Income (Loss) Per Share [1] ($)
December 31, 2015	-	(16,241)	(0.00)
September, 2015	-	49,900	0.00
June 30, 2015	-	(128,618)	(0.01)
March 31, 2015	-	(497,997)	(0.06)
December 31, 2014	-	(54,125)	(0.00)
September 30, 2014	-	(124,198)	(0.02)
June 30, 2014	-	(22,040)	(0.00)
March 31, 2014	-	(72,519)	(0.01)

[1] Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

Liquidity and cash flow

At December 31, 2015, the Corporation had working capital of $409,065 (September 30, 2015 - $425,308). Net cash used in operating activities was $39,626 in the three months ended December 31, 2015, as compared to $41,304 in the three months ended December 31, 2014. Net cash flow from investing activities was $262,128 during the period compared to cash used in the amount of $574,000 in the comparable period. Included in the $262,128 were proceeds from the sale of investments in the amount of $291,865 and $15,960 of interest received. These proceeds were offset by $18,786 advanced to ATF and $26,911 for the purchase of additional Skyline Shares.

Capital Resources

The Corporation relies upon various sources of funds for its ongoing operating and investing activities. These sources include proceeds from dispositions of investments (Skyline Shares), interest income from investments, capital raising activities such as private placement debt and equity financings, and corporate borrowings from the Corporation's bank and brokers.

Management recognizes the need for improved cash flow and liquidity for future operations and growth. Management closely monitors the Corporation's current cash position and the short-term and long-term cash requirements. The Corporation may be required to obtain additional funding to take advantage of the market opportunities. If additional funding is required, an issuance of common shares or debt will most likely be a component of the funding.

Off-Balance Sheet Arrangements

As of the date of this filing, the Corporation does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Corporation including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Related Party Transactions

Related parties include the Board of Directors, close family members, enterprises and others that the Corporation does not deal with at arm's length. The below noted transactions are in the normal course of business.

(i) During the period, the Corporation was charged $ 6,000, (2014 - $4,000) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at December 31, 2015, $4,520 (September 30, 2015 - $6,780) is included in accounts payable and accrued liabilities.

(ii) During the period, the Corporation incurred expenditures of $510, (2015 - $90,357) to McMillan LLP for legal services (including disbursements). Robbie Grossman is a partner of McMillan LLP and an officer and director of the Corporation. Included in the December 31, 2015 accounts payable and accrued liabilities is $158,120 (September 30, 2015 $182,611) due to McMillan LLP.

(iii) Management fee – The Manager will receive a monthly management fee (a "Management Fee") equal to 1/12th of 2% of the net asset value of the Corporation, inclusive of any taxes payable by the Corporation in respect of the Management Fee, calculated as of the last business day of each month.

For the three months ended December 31, 2015, the Corporation was charged $2,087 (three months ended December 31, 2014 - $6,021) in Management Fees. As at December 31, 2015, $5,347 of management fees were included in accounts payable and accrued liabilities.

Joshua Kornberg (a director of the Corporation) and Dr. Samuel Herschkowitz (a director and officer of the Corporation) are the limited partners of the Manager and the sole officers, directors and shareholders of the general partner of the Manager.

(iv) Performance fee - the Manager will receive in respect of each fiscal year of the Corporation, a performance fee (the "Performance Fee") equal to 20% of the net appreciation in the net asset value of the Corporation calculated as of the last day of such fiscal year in excess of the net asset value of the Corporation calculated as of the last day of the previous fiscal year, less any taxes payable by the Corporation in respect of the Performance Fee. Performance Fees are calculated and accrued monthly and shall be paid to the Manager in cash annually. Where the cash on hand is insufficient to satisfy the Performance Fee in full on the date on which such payment is required, the Performance Fee shall be paid as to the amount of such cash, net of the Corporation's working capital requirements as reasonably determined by the Manager available on the required date and the balance shall be accrued and paid as cash becomes available.

For the three months ended December 31, 2015 and 2014, no performance feed were earned.

(v) The Corporation entered into the SOK Agreement to purchase the Skyline Shares. The Corporation is related to SOK due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, and Joshua Kornberg, one of the directors of the Corporation, being the co-managing members and each 50% owners of a private company that is the managing member and sole beneficial owner of SOK. In addition, Joshua Kornberg is a director and officer of Skyline and Frank Mancuso Jr., a director of the Corporation, is an independent director of Skyline.

(vi) In the prior year, the Corporation entered into a subscription agreement with IOI to acquire an IOI Membership Interest. As at December 31, 2015, the Company holds no interest in IOI. The Corporation was related due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, being the manager of IOI.

(vii) The Corporation entered into a credit agreement with ATF to loan ATF up to U.S$100,000. The Corporation is related due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, Josh Kornberg, a director of the Corporation, and Mr. Kornberg's spouse, being the shareholders of ATF.

Risk Factors

An investment in the Corporation and the common shares should be considered highly speculative and investors should carefully consider all of the information disclosed in this MD&A prior to making an investment. In addition to the other information presented in this MD&A, the following risk factors should be given special consideration when evaluating an investment in the Corporation or the common shares.

The value of the shares of the Corporation will fluctuate based on the value of the Corporation's investment portfolio and general market conditions. There can be no assurance that shareholders will realize any gains from their investment in the Corporation and may lose their entire investment.

There is no assurance that the investment objectives of the Corporation will actually be achieved. The value of the shares of the Corporation will increase or decrease with the value of its investment portfolio and general economic conditions beyond the control of the Corporation's management, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors.

Investments made by the Corporation may lack liquidity.

Due to market conditions beyond its control, including investor demand, resale restrictions, general market trends and regulatory restrictions, the Corporation may not be able to liquidate investments, including its investments and any other target companies without a listed market for their securities, when it would otherwise desire to do so in order to operate in accordance with its investment policy and strategy. Such lack of liquidity could have a material adverse effect on the value of the Corporation's investments and, consequently, the value of the shares of the Corporation.

There is no guarantee that the Corporation will be able to reduce its investment risk by diversifying its investment portfolio. Expenses incurred by the Corporation may exceed any gains realized by the Corporation on its investments.

The Corporation intends to participate in a limited number of investments and, as a consequence, the aggregate returns realized by the Corporation may be substantially and adversely affected by the unfavourable performance of even a single investment. Accordingly, there can be no assurance that the Corporation will be able to reduce its investment risk by diversifying its portfolio. The resulting lack of diversification may adversely impact the ability of the Corporation to achieve its desired investment returns.

Investment is denominated in U.S. dollars and carries currency risks.

An investment such as the Skyline Shares, IOI Membership Interest, and the ATF credit agreement denominated in U.S. dollars entails risks that are not associated with a similar investment in a security denominated in Canadian dollars. Such risks include, without limitation, the possibility of significant changes in rates of exchange between the Canadian dollar and the U.S. dollar.

The long–term viability for the Corporation will depend, in part, on its ability to raise additional investment capital.

If the Corporation is unable to raise additional investment capital either through investment returns or new financing through securities offerings, then it will be limited in its ability to fulfill its investment objectives. This may adversely affect its long–term viability. To raise additional capital, the Corporation may have to issue additional shares which may dilute the interests of existing shareholders.

The Corporation faces competition from other capital providers and there can be no assurance that suitable investments will be found.

The Corporation faces competition from other capital providers, all of which compete for investment opportunities. These competitors may limit the Corporation's opportunities to acquire interests in investments that are attractive to the Corporation. The Corporation may be required to invest otherwise than in accordance with its investment policy and strategy in order to meet its investment objectives. If the Corporation is required to invest other than in accordance with its investment policy and strategy, its ability to achieve its desired rates of return on its investments may be adversely affected.

The Corporation will be dependent on attracting key personnel.

The Corporation's success will depend on its ability to attract and retain its key personnel. The inability of the Corporation to retain its directors or officers, as a result of volatility or lack of positive performance in the Corporation's stock price, may adversely affect the Corporation's ability to carry out its business.

Shareholders will be required to rely on the Corporation to conduct the business of the Corporation. The services provided by the Directors will not be exclusive to the Corporation and conflicts of interest may arise in the ordinary course of business.

Shareholders will be required to rely on the business judgment, expertise and integrity of the directors and officers of the Corporation. The Corporation must rely substantially upon the knowledge and expertise of its directors and officers in entering into any investment agreement or investment arrangements, in determining the composition of the Corporation's investment portfolio, and in determining when and whether to dispose of securities owned by the Corporation. The death or disability of any of the Corporation's directors and officers could adversely affect the ability of the Corporation to achieve its objectives.

The directors and officers of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as may be required to effectively manage the Corporation. Certain of the directors and officers of the Corporation are engaged and will continue to be engaged in the search for investments for themselves and on behalf of others, including other private and public corporations. Accordingly, conflicts of interest may arise from time to time. Any conflicts will be subject to the procedures and remedies under the *Business Corporations Act (Ontario)*.

Shareholders may face dilution in the event of the issuance of additional securities.

The Corporation is authorized to issue an unlimited number of shares. In order to fund further investments, the Corporation may have to issue additional securities including, but not limited to common shares, or some form of convertible security, the effect of which will result in a dilution of the equity interest of any existing shareholders.

The Corporation is not required to pay dividends.

To date, the Corporation has not paid dividends on any of its shares and the Corporation does not intend, and is not required, to pay any dividends on its shares in the foreseeable future. Any decision to pay dividends will be made on the basis of the Corporation's earnings, financial requirements and other conditions.

The market price of securities of the Corporation may be volatile.

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many junior companies have experienced wide fluctuations in price. The market price of the shares may be volatile and could be subject to wide fluctuations due to a number of factors. Broad market fluctuations, as well as economic conditions generally and in the healthcare industry specifically, may adversely affect the market price of the shares.

Investments in early stage companies.

The investments by the Corporation in the future may, expose the Corporation to the risks inherent with an investment in early stage companies. Each of the investment is, and any other investment that the Corporation may invest in may be, an early stage company whose products and technologies: are under development; will require further investment; are without a substantial market; are dependent on acceptance by the marketplace of new technologies and products; and face competition from other companies, many of which have greater financial, marketing, technological and personnel resources.

Prior Ranking Indebtedness.

Investments by the Corporation in debt, including the IOI Investment, or other companies in which the Corporation may invest in in the future, may be subordinated to permitted senior indebtedness of such investment. In the event of such investment's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets would be made available to satisfy the obligations of the creditors of such senior indebtedness before being available to pay such obligations to the Corporation. Accordingly, all or a substantial portion of such investment's assets could be made unavailable to satisfy the claims of the Corporation.

Minority interest in investment companies.

The Corporation will often hold a minority interest in companies, including in each of Skyline and IOI, and may hold minority interests in any future companies and will have a limited ability to influence management of such companies with respect to: business and financial decisions; the issuance of additional securities; and the issue price for additional securities.

Recent Accounting Pronouncements

(i) IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39. 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 will be effective for annual periods beginning on or after January 1, 2018. The Corporation is in the process of assessing the impact of this pronouncement.

(ii) IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted. The Corporation is in the process of assessing the impact of this pronouncement.

Financial Instruments

(a) Credit Risk:

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Corporation to concentrations of credit risks consist principally of cash and cash equivalents and accounts receivable. Cash and cash equivalents are held with a major Canadian chartered bank, from which management believes the risk of loss to be minimal.

Accounts receivable consists of harmonized sales tax receivable from government authorities in Canada and interest receivable on investments. Management believes that the credit risk with respect to these accounts receivable is minimal.

(b) Interest Rate Risk:

The Corporation is not exposed to any significant interest rate risk.

(c) Liquidity Risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(d) Capital Management:

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

(e) Currency Risk:

The Corporation is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these risks due to cash and investments holdings in United States dollars.

December 31, 2015

	Exposure			**Impact on net assets**		
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 174,840	$ 424,680	$ 599,520	$ 1,748	$4,246	$5,995

As at December 31, 2015, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets attributable to the shareholders could have decreased or increased, respectively, by approximately 1% ($5,995).

(a) Fair value measurements:

(i) Financial hierarchy:
The fair value measurements use a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The level in the hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

(ii) Determination of investments fair values:
The determination of fair value requires judgment and is based on market information, where available and appropriate. At the end of each financial reporting period, the Corporation's management estimates the fair value of investments based on the criteria below and reflects such valuations in the interim statements.

The Corporation is also required to disclose details of its investments (and other financial assets and liabilities for which fair value is measured or disclosed in the interim statements) within three hierarchy levels (Level 1, 2, or 3) based on the transparency of inputs used in measuring or disclosing the fair value, and to provide additional disclosure in connection therewith. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

For publically traded companies, securities including shares, options and warrants which are traded in an active market, such as on a recognized securities exchange and for which no sales restrictions apply, are presented at fair value based on quoted closing trade prices at the statements of financial position dates or the closing trade price on the last day the security traded if there were no trades at the statements of financial position dates. These are included in Level 1.

Securities which are traded on a recognized securities exchange but which are escrowed or otherwise restricted as to sale or transfer are recorded at amounts discounted from market value to a maximum of 10%. In determining the discount for such investments, the Corporation considers the nature and length of the restriction. These are included in Level 2.

For options and warrants which are not traded on a recognized securities exchange, no market value is readily available. When there are sufficient and reliable observable market inputs, a valuation technique is used; if no such market inputs are available or reliable, the warrants and options are valued at intrinsic value, which is equal to the higher of the closing trade price at the statements of financial position dates of the underlying security less the exercise price of the warrant or option, and zero. These are included in Level 2.

All privately-held investments (other than options and warrants) are initially recorded at the transaction price, being the fair value at the time of acquisition. Thereafter, at each reporting period, the fair value of an investment may (depending upon the circumstances) be adjusted using one or more valuation indicators. These are included in Level 3. Options and warrants of private companies are carried at their intrinsic value.

Capital Management

The Corporation's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares. The Corporation's capital management objectives are to safeguard its ability to continue as a going concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Corporation does not have any externally imposed capital requirements to which it is subject. The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares.

Outlook

The Corporation continues to evaluate opportunities to invest in early stage companies or in technologies that are developed and validated but may be in the early stage of commercialization or in companies that require strategic guidance and thus are undervalued.

Share Capital

As of the date of this MD&A, the Corporation had 8,676,260 issued and outstanding common shares. In addition, the Corporation had stock options outstanding exercisable for 737,191 common shares. Therefore, the Corporation had 9,413,451 common shares on a fully diluted basis.