

**PROSPECT PARK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") is dated January 30, 2017, unless otherwise indicated and should be read in conjunction with the audited financial statements of Prospect Park Capital Corp. (the "Corporation") for the years ended September 30, 2016 and 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 year ended September 30, 2016 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](http://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.

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 such risk factors, uncertainties and other factors are not exhaustive. 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 is a public healthcare focused investment corporation listed for trading on the TSX Venture Exchange under the symbol PPK.

The Corporation currently has the following investments:

#### **Skyline Medical Inc. ("Skyline")**

Skyline, a NASDAQ listed company, has a fully automated, patented, and FDA cleared surgical fluid disposal device—the STREAMWAY System—that virtually eliminates operating room workers' exposure to blood, irrigation fluid and other potentially infectious fluids found in the surgical environment.

Effective May 5, 2016, Joshua Kornberg resigned as the Chief Executive Officer and President of Skyline and resigned as a member of the Board of Directors effective June 13, 2016.

As at September 30, 2016, the Corporation owned 145,428 common shares of Skyline with a fair market value of \$31,475.

#### **Above the Fold ("ATF")**

Pursuant to a credit agreement dated February 26, 2015, the Corporation agreed to advance a principal amount of up to US\$100,000 to ATF. The loan will mature on February 28, 2017 and interest on the principal amount of the loan will accrue at the rate of 12% per annum. ATF is dedicated to supporting families with severe food allergies and will use the proceeds for the purposes of funding its ongoing research and development and for general working purposes. Samuel Herschkowitz, an officer and director of the Corporation, Joshua Kornberg, a director of the Corporation, and Mr. Kornberg's spouse are shareholders and managing members of ATF.

As at September 30, 2016, \$82,293 (US\$62,750) (September 30, 2015, \$62,177 (US\$48,208)) has been advanced as part of the loan and \$10,213 has been accrued as interest.

#### **IOI LLC Trailing Interest**

On November 9, 2015, the Corporation sold a US\$150,000 investment in IOI LLC to a private investment group. In consideration for selling its IOI LLC membership interest, the Corporation received its initial capital returned (US\$150,000) plus an 8% return (US\$12,000) and retained its ability to collect an additional 32% ("Maturity Amount") should the Serenity Pharmaceuticals, LLC drug successfully receive approval by the United States Food and Drug Administration. Subsequent to year end, an amendment to the sale agreement was made to clarify the Maturity Amount is the greater of an additional 32% or 20% per annum on the amount of initial capital for the period until the Maturity Amount is paid less the initial capital plus 8%.

**Selected Annual Financial Information**

The following is selected financial data derived from the audited financial statements of the Corporation as at September 30, 2016, September 30, 2015 and September 30, 2014 and for the periods then ended.

	<b>Year ended September 30, 2016</b>	<b>Year ended September 30, 2015</b>	<b>Year ended September 30, 2014</b>
Total revenues	nil	nil	nil
Total loss <sup>(1)(2)</sup>	(681,534)	(630,839)	(271,814)
Net loss per share – basic <sup>(3)(4)</sup>	(0.08)	(0.07)	(0.04)
Net loss per share – diluted <sup>(3)(4)</sup>	(0.08)	(0.07)	(0.04)
	<b>As at September 30, 2016</b>	<b>As at September 30, 2015</b>	<b>As at September 30, 2014</b>
Total assets	172,054	978,708	946,902
Total non-current financial liabilities	nil	nil	nil
Distribution or cash dividends <sup>(5)</sup>	nil	nil	nil

- (1) Loss from continuing operations, in total;
- (2) Net loss from operations, in total;
- (3) Loss from continuing operations, on a per-share and diluted per share basis;
- (4) Net loss from operations, on a per-share and diluted per-share basis; and
- (5) Declared per-share for each class of share.

As the Corporation has no material revenue, its ability to fund its operations is dependent upon its securing financing through the sale of equity or assets. See "Risk Factors" below.

**Discussion of Operations**

As at September 30, 2016, the Corporation had assets of \$172,054 compared to \$978,708 at September 30, 2015, and liabilities of \$338,360 (September 30, 2015 - \$553,402). Included in the assets are \$47,254 of cash and cash equivalents, \$32,294 of investments at fair value, an \$82,293 loan receivable, and interest receivables in the amount of \$10,213. The net asset value (calculated as total assets less total liabilities) per share as at September 30, 2016, was (\$0.02) compared to \$0.05 as at September 30, 2015.

For the year ended September 30, 2016, the Corporation had a net loss of \$681,534 (with basic and diluted loss per share of \$0.08) compared to a net loss of \$630,839 in 2015 (with basic and fully diluted loss per share of \$0.07). The increase in net loss is mainly attributed to the increase in unrealized loss on the shares of Skyline.

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Year ended September 30, 2016**  
**Discussion dated: January 30, 2017**

Summary of investment income:

	2016	2015
Net investment gains (losses)		
Loss on sale of investments	\$ (25,553)	\$ -
Gain on amendment of SOK Agreement	50,000	-
Gain (loss) on foreign exchange	(6,264)	(2,704)
Net change in unrealized loss on investments	(542,479)	(369,165)
Net investment (losses) gains	(524,296)	(371,369)
Other income	8,999	20,233
	\$ (515,297)	\$ (348,932)

Loss on sale of investments resulted from the sale of Skyline shares in the open market.

Gain on amendment of the SOK Agreement (as defined in note 3 financial statements for the year ended September 30, 2016) was the result of amending the final payment due under the agreement to \$250,000 (from \$300,000), in exchange for releasing SOK of its downside protection (see note 3 to the financial statements for the year ended September 30, 2016).

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:

Three months ended September 30,	2016	% of 2016	2015	% change
Legal fees and disbursements	\$ 11,300	15%	\$ 21,931	-48%
Accounting	11,826	16%	6,030	96%
Transfer agent	4,757	6%	1,436	231%
Management fee	-	0%	3,072	-100%
Share based compensation	39,922	53%	-	n/a
Office	6,885	9%	1,279	438%
Travel	-	0%	9,829	n/a
	\$ 74,690	100%	\$ 43,577	71%

Year ended September 30,	2016	% of 2016	2015	% change
Legal fees and disbursements	\$ 49,960	67%	\$ 135,560	-63%
Accounting	45,257	61%	41,450	9%
Transfer agent	10,729	14%	15,427	-30%
Filing fees	5,876	8%	7,120	-17%
Rent	-	0%	5,524	n/a
Management fee	2,725	4%	17,056	-84%
Share based compensation	39,922	53%	-	n/a
Office	8,928	12%	11,143	-20%
Travel	2,840	4%	45,923	-94%
	\$ 166,237	223%	\$ 279,203	-40%

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Year ended September 30, 2016**  
**Discussion dated: January 30, 2017**

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Legal fees and disbursements for the year ended September 30, 2016 primarily related to public company continuous disclosure requirements. The decrease in legal fees and disbursements compared to 2015 was due to transaction fees incurred in Q1 2015, for work on completing the Corporation's qualifying transaction (as such term is defined by the TSX Venture Exchange).

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 is party to 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 monthly management fee based on 2% of the net asset value of the Corporation.

Travel expenses are attributed to management travel for meetings to review potential investments as well as for its monitoring the Corporation's current investments. Less travel was required in 2016.

**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 (\$)	Basic and Diluted Income (Loss) Per Share <sup>(1)</sup> (\$)
September 30, 2016	-	(69,600)	(0.01)
June 30, 2016	-	10,842	0.00
March 31, 2016	-	(606,535)	(0.07)
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)

<sup>(1)</sup> 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 September 30, 2016, the Corporation had working capital (deficiency) of (\$216,305) (September 30, 2015 - \$425,307). Net cash used in operating activities was \$239,907, as compared to \$209,821 in 2015. Net cash flow from investing activities was \$250,597 during the year compared to cash used of \$687,640 in 2015. Included in the \$250,597 were proceeds from the sale of investments in the amount of \$290,815 and \$14,740 of interest received. These proceeds were offset by \$20,116 advanced to ATF and \$34,842 for the purchase of additional Skyline shares.

In 2015, \$687,640 was used for the purchase of investments (\$169,260 (US\$150,000) in cash on the IOI Investment, \$400,000 on the Skyline Investment, \$56,203 on the purchase of additional shares of Skyline and \$62,177 on the credit advance to ATF).

### **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, 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.

The Corporation's operations currently generate negative cash flow and may depend on equity sales or other means of financing to assist in financing its operations, cover administrative costs and finance growth. The ability of the Corporation to continue operations is dependent upon obtaining additional financing. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to small cap companies, in addition to the results of the Corporation's operation. There can be no guarantee that the Corporation will be able to secure any required financing.

### **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 officers of the Corporation, 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. The Corporation considers its directors and officers to be key management. During the year, key management earned \$39,922 (2015 - \$nil) in stock based compensation and \$27,120 (2015 - \$24,860) in remuneration.

(i) During the year, the Corporation was charged \$27,120, (2015 - \$24,860) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at September 30, 2016, \$18,860 (2015 - \$6,780) is included in accounts payable and accrued liabilities.

(ii) During the year, the Corporation incurred expenditures of \$49,242, (2015 - \$118,927) 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 September, 30, 2016 accounts payable and accrued liabilities is \$171,085 (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 year ended September 30, 2016, the Corporation was charged \$2,725 (2015 - \$17,056) in Management Fees. As at September, 30, 2016, \$1,404 (2015 - \$3,260) 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 year ended September 30, 2016, no performance fees were earned (2015 - \$nil).

(v) During the year, the Corporation executed the SOK Amending Agreement (see note 3). 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.

(vi) The Corporation is party to a credit agreement with ATF to loan ATF up to US\$100,000 (see note 4). 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. During the year, the Corporation advanced ATF \$20,116 (2015 - \$62,177).



### **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.

#### ***Investments denominated in U.S. dollars and carries currency risks.***

An investment such as the Skyline shares, 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 ATF credit agreement, 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 Skyline, 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.

***Loss of Foreign Private Issuer Status***

The Corporation may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses. As a foreign private issuer, as defined in Rule 3b-4 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Corporation is currently exempt from certain of the provisions of the U.S. federal securities laws. For example, an issuer with total assets in excess of US\$10 million and whose outstanding equity securities are held by 2,000 or more persons, or 500 or more persons who are not "accredited investors", must register such securities as a class under the Exchange Act. However, as a foreign private issuer subject to Canadian continuous disclosure requirements, the Corporation may claim the exemption from registration under the Exchange Act provided by Rule 12g3-2(b) thereunder, even if these thresholds are exceeded. To be considered a foreign private issuer, the Corporation must satisfy a United States shareholder test (not more than 50% of the voting securities of a company must be held by residents of the United States) if any of the following disqualifying conditions apply: (i) the majority of the Corporation's executive officers or directors are United States citizens or residents; (ii) more than 50 percent of the Corporation's assets are located in the United States; or (iii) the Corporation's business of is administered principally in the United States. A substantial number of the Corporation's outstanding voting securities are directly or indirectly held of

record by residents of the United States. If the Corporation loses its status as a foreign private issuer, these regulations could apply and it could also be required to commence reporting on forms required of U.S. domestic companies, such as Forms 10-K, 10-Q and 8-K. It could also become subject to U.S. proxy rules, and certain holders of its equity securities could become subject to the insider reporting and "short swing" profit rules under Section 16 of the Exchange Act. In addition, any securities issued by the Corporation if it loses foreign private issuer status would become subject to certain rules and restrictions under the Securities Act of 1933, as amended, even if they are issued or resold outside the United States. Compliance with the additional disclosure, compliance and timing requirements under these securities laws would likely result in increased expenses and would require the Corporation's management to devote substantial time and resources to comply with new regulatory requirements.

### **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.

### **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.

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

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Year ended September 30, 2016**  
**Discussion dated: January 30, 2017**

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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.

September 30, 2016						
Currency	Exposure			Impact on net assets		
	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	\$ 9,653	\$ 24,818	\$ 34,471	\$ 97	\$248	\$345

As at September 30, 2016, 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% (\$345).

(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 publicly 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 1,735,252 common shares. Therefore, the Corporation had 10,411,512 common shares on a fully diluted basis.