

**PROSPECT PARK CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2017**

## **Introduction**

This Management's Discussion and Analysis ("MD&A") is dated March 1, 2018, 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, 2017 and the audited financial statements for the year ended September 30, 2017, 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, 2017 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.

As at December 31, 2017, the Corporation owned 5,818 common shares of Skyline with a fair market value of \$7,460.

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

Pursuant to a credit agreement dated February 26, 2015, as amended on April 26, 2016 and May 25, 2017, the Corporation agreed to advance a principal amount of up to US\$100,000 to ATF. The loan matures December 31, 2018, and bears interest at 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. Mr. Kornberg's spouse is also an officer of ATF.

As at December 31, 2017, \$79,913 (US\$62,750) has been advanced as part of the loan and \$23,884 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 amount (the "Maturity Amount") should the Serenity Pharmaceuticals, LLC ("Serenity") drug successfully receive approval by the United States Food and Drug Administration. On March 29, 2017, the Corporation announced that it will not receive the Maturity Amount, in light of Allergan Inc. exercising its unilateral right to terminate its license, transfer and development agreement with Serenity which effectively terminated Serenity's (and its partners) right to any milestone payments. Serenity ultimately received payment from another company and, on November 9, 2017, the Corporation received a milestone payment of US\$48,000 ("Trailing Interest"). Management does not anticipate receiving any further payments from that investment.

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Three months ended December 31, 2017**  
**Discussion dated: March 1, 2018**

---

**Discussion of Operations**

As at December 31, 2017, the Corporation had assets of \$128,624 compared to \$134,470 at September 30, 2016, and liabilities of \$256,516 (September 30, 2016 - \$298,347). Included in the assets are \$17,368 of cash and cash equivalents, \$7,460 of investments at fair value, the ATF loan receivable of \$79,913, and interest receivable on the ATF loan in the amount of \$23,884. The net asset value (calculated as total assets less total liabilities) per share as at December 31, 2017, was (\$0.01) compared to (\$0.02) at September 30, 2017.

For the three months ended December 31, 2017, the Corporation had a net income of \$35,985 (with basic and diluted income per share of \$0.00) compared to a net loss of \$20,601 for the for the three months ended December 31, 2016 (with basic and fully diluted loss per share of \$0.02).

Summary of investment income:

|  | 2017      | 2016      |
|--|-----------|-----------|
| Net investment gains (losses)                |           |           |
| Gain (loss) on foreign exchange              | \$ -      | \$ 1,092  |
| Net change in unrealized loss on investments | (3,108)   | (9,419)   |
| Net investment (losses) gains                | (3,108)   | (8,327)   |
| Other income                                 | 63,341    | 2,138     |
| Net investment income (loss)                 | \$ 60,233 | \$(6,189) |

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. Other income represents the Trailing Interest payment of \$60,878 (\$US48,000) and \$2,463 (December 31, 2016 - \$2,138) of interest earned on the loan to ATF.

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

| Three months ended December 31, | 2017      | 2016      |
|---------------------------------|-----------|-----------|
| Legal fees and disbursements    | \$ 9,500  | \$ 1,530  |
| Accounting and audit            | 11,780    | 10,780    |
| Transfer agent                  | 2,571     | 924       |
| Office                          | 398       | 1,178     |
|                                 | \$ 24,248 | \$ 14,412 |

### 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> (\$) |
| December 31, 2017  | -                 | 35,985            | 0.00  |
| September 30, 2017 | -                 | (41,300)          | (0.00)  |
| June 30, 2017      | -                 | (27,723)          | (0.00)  |
| March 31, 2017     | -                 | (34,987)          | (0.00)  |
| December 31, 2016  | -                 | (20,600)          | (0.00)  |
| September 30, 2016 | -                 | (69,600)          | (0.01)  |
| June 30, 2016      | -                 | 10,842            | 0.00  |
| March 31, 2016     | -                 | (606,535)         | (0.07)  |

<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 December 31, 2017, the Corporation had working capital (deficiency) of (\$127,893) (September 30, 2017 - \$265,211). Net cash used in operating activities, and net cash in cash during the period, was \$5,202 (2016 - \$5,930).

### 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 period, key management \$6,780 (2016 - \$6,780) in remuneration (Note 7(i)).

(i) During the period, the Corporation was charged \$6,780 (three months ended December 31, 2016 - \$6,780) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at December 31, 2017, \$43,760 (September 30, 2017 - \$45,980) is included in accounts payable and accrued liabilities.

(ii) During the period the Corporation was charged \$nil (three months ended December 31, 2016 - \$1,530) by 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, 2017 accounts payable and accrued liabilities is \$182,263 (September 30, 2017 - \$193,168) 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.

No management fees were charged during the three months ended December 31, 2017 or December 31, 2016. As at December 31, 2017, \$1,404 (September 30, 2017 - \$1,404) 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, 2017 and 2016, no performance fees were earned.

(v) In accordance with the SOK Amending Agreement (see note 3) the Company issued 1,142,857 common shares on February 6, 2017 to settle amounts owing (\$177,038) to SOK. The shares had a fair market value of \$22,857, and therefore the difference of \$154,181 was recorded as contributed surplus as the treatment was deemed as a capital transaction. 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.

(vii) The Corporation is party to a credit agreement with ATF to loan ATF up to US\$100,000 (see note 4). As of December 31, 2017, \$23,884 CAD has been included in interest receivable (September 30, 2017 - \$21,421) and \$79,914 CAD has been included in principal receivable (September 30, 2017 - \$79,914) relating to this agreement. 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 managing members of ATF. Mr. Kornberg's spouse is also an officer of ATF.

### **Risk Factors**

An investment in the Corporation and the common shares should be considered highly speculative and investors should carefully consider all 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 has determined that it has ceased to qualify as a "foreign private issuer" for the purposes of United States federal securities laws as of March 31, 2017, being the last business day of its most

recently completed second fiscal quarter. Certain consequences of loss of foreign private issuer status to the Corporation and its security holders are outlined below.

Foreign Private Issuer Test

As a corporation incorporated outside the United States, the Corporation will qualify as a "foreign private issuer" for the purposes of each of the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), if it meets the definition of "foreign private issuer" in, respectively, Rule 405 under the U.S. Securities Act and Rule 3b-4 under the Exchange Act – namely, "any foreign issuer other than a foreign government except an issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter:

- (i) more than 50 percent of the outstanding voting securities of such issuer are directly or indirectly owned of record by residents of the United States; and
- (ii) any of the following: (A) the majority of the executive officers or directors are United States citizens or residents; (B) more than 50 percent of the assets of the issuer are located in the United States; or (C) the business of the issuer is administered principally in the United States."

The Corporation no longer qualifies as a foreign private issuer because, on the last business day of the Corporation's second fiscal quarter, more than 50 percent of the Corporation's common shares were directly or indirectly owned of record by residents of the United States, and three of the Corporation's five directors were either citizens or residents of the United States.

The definitions of "foreign private issuer" in U.S. Securities Act Rule 405 and Exchange Act Rule 3b-4 provide in part that "[a]n issuer's determination that it fails to qualify as a foreign private issuer governs its eligibility to use the forms and rules designated for foreign private issuers beginning on the first day of the fiscal year following the determination date. Once an issuer fails to qualify for foreign private issuer status, it will remain unqualified unless it meets the requirements for foreign private issuer status as of the last business day of its second fiscal quarter." Accordingly, the Corporation will not be able to avail itself of the rules and forms designated for foreign private issuers after September 30, 2017, being the final day of its current fiscal year. The Corporation has not yet determined whether it will take any steps to re-qualify the Corporation as a foreign private issuer as of March 31, 2018 (the last business day of its next second fiscal quarter) or as of any other future date.

Loss of Registration Exemption Provided by Exchange Act Rule 12g3-2(b)

A Canadian public company that qualifies as a foreign private issuer can generally rely on a self-executing exemption from registration of its common shares as a class under the Exchange Act provided by Exchange Act Rule 12g3-2(b). Although the Corporation will not be able to rely on that exemption as of the beginning of its next fiscal year, management anticipates that the Corporation will be able to rely on a separate self-executing exemption under Exchange Act Rule 12g-1(a), which is available to any issuer with "total assets" not exceeding US\$10 million on the last day of its fiscal year. "Total assets", as defined in Exchange Act Rule 12g5-2, generally means the total assets as shown on the issuer's balance sheet or the balance sheet of the issuer and its subsidiaries consolidated, whichever is larger.

Absent an available exemption from registration under the Exchange Act, the Corporation would be required to register its common shares as a class under section 12(g) of the Exchange Act within 120 days following the end of the fiscal year in which it ceased to qualify for any such exemption. In that event, the Corporation's regulatory compliance costs would increase significantly.

*Impact on Tradability of Certain Common Shares Issued Without U.S. Securities Act Registration*

As outlined below, loss of foreign private issuer status will also impact the tradability of certain common shares issued by the Corporation without registration under the U.S. Securities Act.

*Shares Issued in Reliance on Regulation S Prior to October 1, 2017*

If the Corporation were to conduct a securities distribution outside the United States pursuant to Regulation S under the U.S. Securities Act after March 31, 2017 but before September 1, 2017, when it is still able to rely on the rules available to a foreign private issuer, such securities (including any common shares) will not be "restricted securities" (as defined in Rule 144(a)(3) under the U.S. Securities Act), and will not have to bear a U.S. restrictive legend.

*Shares Issued in Reliance on Regulation S On or After October 1, 2017*

If the Corporation were to conduct a securities distribution outside the United States pursuant to Regulation S under the U.S. Securities Act after the end of its current fiscal year and while it does not qualify as a foreign private issuer, the securities (including any common shares) will be deemed to be "restricted securities" under the U.S. Securities Act, and will have to bear a U.S. restrictive legend. This will be true even if the shares are qualified in Canada under a prospectus, unless the shares are also registered under the U.S. Securities Act.

Rule 905 provides that any "restricted securities" that are equity securities of a domestic issuer will continue to be deemed to be restricted securities notwithstanding that they were acquired in a resale transaction pursuant to Rule 901 or 904 of Regulation S. In effect, it will not be possible to remove the U.S. restrictive legend from the share certificates in connection with their resale over the TSX Venture Exchange in reliance on Rule 904 of Regulation S, and the presence of the U.S. restrictive legend will impair the ability of the shareholder to effect "good delivery" of the shares on the TSX Venture Exchange.

*Shares Issued Pursuant to a Registration Exemption in the U.S. After March 31, 2017*

Any common shares that the Corporation issues as "restricted securities" without registration under the U.S. Securities Act after March 31, 2017 (for example, pursuant to an unregistered offering conducted in reliance on Section 4(a)(2) of the U.S. Securities Act or Rule 506(b) of Regulation D), while the Corporation does not qualify as a foreign private issuer, will be subject to Rule 905 of Regulation S under the U.S. Securities Act – even if the shares are issued during the balance of the current fiscal year when the Corporation otherwise remains eligible to rely on the rules available to foreign private issuers. This will effectively make it impossible to clear such shares of the U.S. restrictive legend in connection with resale of the shares over the TSX Venture Exchange in reliance on Rule 904 of Regulation S. As noted above, the presence of the U.S. restrictive legend will impair the ability of the shareholder to effect "good delivery" of the shares on the TSX Venture Exchange.

*Shares Issued Pursuant to a Registration Exemption in the U.S. Prior to March 31, 2017*

As interpreted by Staff at the United States Securities and Exchange Commission (the "**SEC**"), any securities issued by the Corporation as "restricted securities" without registration under the U.S. Securities Act prior to March 31, 2017, while the Corporation did qualify as a foreign private issuer, may be resold pursuant to Rule 904 of Regulation S and without regard to Rule 905. For example, eligible U.S. investors who purchased common shares of the Corporation in an unregistered offering completed in reliance on Rule 506(b) of Regulation D under the U.S. Securities Act prior to March 31, 2017 should be able to continue to rely on Rule 904 of Regulation S to resell those common shares over the facilities of the TSX Venture Exchange, notwithstanding that the Corporation no longer qualifies as a foreign private issuer.

*Rule 144 Under the U.S. Securities Act of 1933*

Rule 144 under the U.S. Securities Act provides a limited safe harbor to facilitate the resale of "restricted securities" (as well as unrestricted securities that are subject to U.S. resale restrictions in the hands of an issuer's affiliates) without registration under the U.S. Securities Act. However, under Rule 144(i), holders of securities of any issuer that is or was a "shell company" may not rely on Rule 144 to resell their securities unless certain conditions are met. Specifically, Rule 144 will be available for the resale of restricted or unrestricted securities that were initially issued by a shell company, or an issuer that has been at any time previously a reporting or non-reporting shell company, only if (i) the issuer of the securities that was formerly a reporting or non-reporting shell company has ceased to be a shell company; (ii) the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act; (iii) the issuer of the securities has filed all reports and material required to be filed under Section 13 or 15(d) of the Exchange Act, as applicable, during the preceding 12 months (or for such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and (iv) at least one year has elapsed from the time that the issuer filed current "Form 10 type information" with the SEC reflecting its status as an entity that is not a shell company.

"Form 10 type information" is information that a company would be required to file if it were registering a class of securities on Form 10 or Form 20-F under the Exchange Act.

As a former capital pool company (a "**CPC**"), as defined in the policies of the TSX Venture Exchange, the Corporation is considered to be a former shell company and therefore subject to the foregoing restrictions under Rule 144(i).

On September 6, 2013, the SEC issued a no-action letter providing limited relief to non-shell companies that are former CPCs or special purpose acquisition corporations regulated by the Toronto Stock Exchange (each a "**TSX SPAC**"). The relief is not available to a company that was not a CPC or TSX SPAC, or has been a shell company at any time subsequent to the completion of the initial transaction pursuant to which it ceased to be a shell company, such as by virtue of, for example, undertaking a reorganization, sale of assets, bankruptcy or other corporate event. In order to qualify for the relief, the company must (a) be organized under the laws of Canada; (b) have been, at the time it became a public company, a CPC or a TSX SPAC; (c) have ceased to be a shell company, and, since the date that it initially ceased to be a shell company by virtue of completing its qualifying transactions, have never again been a shell company; (d) have filed on SEDAR all reports and other materials required to be filed by it during the preceding 12 months (or such short period of time that the company was required to file such reports and materials); (e) have filed on SEDAR during the preceding 16 months an Annual Information Form ("**AIF**") prepared in accordance with Canadian securities laws; and (f) have filed on SEDAR at least one year prior to the action to be taken under Rule 144: (i) an AIF prepared in accordance with Canadian

securities laws; (ii) audited annual financial statements, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Boards, as currently required to be prepared by the company under Canadian securities laws; provided that, if permitted by Canadian securities laws, such audited annual financial statements may be prepared in accordance with (A) Canadian generally accepted accounting principles in effect from time to time (provided that such financial statements are accompanied by a reconciliation to United States generally accepted accounting principles), or (B) United States generally accepted accounting principles; (iii) Management's Discussion and Analysis relating to its audited annual financial statements required to be prepared by the company under Canadian securities laws; and (iv) a Management Information Circular/Proxy Statement prepared by the company in connection with an annual or special meeting of shareholders of the company.

Currently, the holders of the Corporation's restricted securities may not rely on Rule 144 to resell such securities as the Corporation has not filed an AIF on SEDAR at any time during the preceding 16 months.

### **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) In May 2014, the IASB issued IFRS 15, “Revenue from Contracts with Customers”. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, “Revenue”, IAS 11, “Construction Contracts”, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

(ii) IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, “Leases”. IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Company is assessing the impact of this standard on the Company's financial statements.

### **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

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Three months ended December 31, 2017**  
**Discussion dated: March 1, 2018**

---

with a major Canadian chartered bank, from which management believes the risk of loss to be minimal. Loan receivable consists of a loan from a related party. During the year, the repayment terms of the loan was extended by a year and 10 months. The loan was assessed for impairment. Total exposure to credit risk is \$103,797, which comprised of the total interest and principal receivable from the related party (September 30, 2017 - \$101,334).

(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, 2017       |  |          |             |           |                      |                 |        |
|-------------------------|--|----------|-------------|-----------|----------------------|-----------------|--------|
| Currency                |  | Exposure |             |           | Impact on net assets |                 |        |
|                         |  | Cash     | Investments | Total     | Cash                 | Investment<br>s | Total  |
| United States<br>Dollar |  | \$ 9,687 | \$ 5,876    | \$ 15,563 | \$ 97                | \$ 58           | \$ 156 |

  

| September 30, 2017      |  |          |             |           |                      |                 |        |
|-------------------------|--|----------|-------------|-----------|----------------------|-----------------|--------|
| Currency                |  | Exposure |             |           | Impact on net assets |                 |        |
|                         |  | Cash     | Investments | Total     | Cash                 | Investment<br>s | Total  |
| United States<br>Dollar |  | \$ 9,687 | \$ 8,454    | \$ 18,141 | \$ 97                | \$ 84           | \$ 181 |

**Prospect Park Capital Corp.**  
**Management's Discussion and Analysis**  
**Three months ended December 31, 2017**  
**Discussion dated: March 1, 2018**

---

As at December 31, 2017, 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% (\$156) (September 30, 2017 – \$181).

(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 9,819,117 issued and outstanding common shares. In addition, the Corporation had stock options outstanding exercisable for 1,596,285 common shares. Therefore, the Corporation had 11,415,402 common shares on a fully diluted basis.