

Condensed Interim Financial Statements (unaudited)  
(In Canadian dollars)

**PROSPECT PARK CAPITAL CORP.**

THREE MONTHS ENDED DECEMBER 31, 2019

## **Notice to reader pursuant to National Instrument 51-102 – Continuous Disclosure Obligations**

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of a reporting issuer's interim financial statements, the financial statements must be accompanied by a notice indicating that they have not been reviewed by an auditor. The Corporation's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Financial Position  
(unaudited)

As at December 31, 2019 and September 30, 2019

	December 31, 2019	September 30, 2019
<b>Assets</b>		
Current assets:		
Cash	\$ 3,626	\$ 7,491
	\$ 3,626	\$ 7,491
<b>Liabilities and Shareholders' Deficit</b>		
Current liabilities:		
Accounts payable and accrued liabilities (Note 5)	\$ 250,445	\$ 249,029
Shareholders' deficit:		
Share capital (Note 3)	1,363,419	1,363,419
Reserves	364,228	364,228
Deficit	(1,974,466)	(1,969,185)
	(246,819)	(241,538)
	\$ 3,626	\$ 7,491

Nature of Operations and Going Concern (Note 1)

Subsequent Events (Note 9)

See accompanying notes to the condensed interim financial statements.

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Statements of Loss and Comprehensive Loss (unaudited)

For the three months ended December 31, 2019 and December 31, 2018

	2019	2018
Net investment losses		
Net change in unrealized loss on investments	\$ -	\$ (3,036)
Net investment losses	-	(3,036)
Interest income	-	2,480
	-	(556)
Expenses:		
Operating, general and administrative (Note 9)	5,281	1,129
Net loss and comprehensive loss	\$ (5,281)	\$ (1,685)
Loss per common share - basic and diluted (Note 6)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted (Note 6)	9,819,117	9,819,117

See accompanying notes to the condensed interim financial statements.

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Changes in Shareholders' Deficit (unaudited)

For the three months ended December 31, 2019 and December 31, 2018

---

	Share capital	Reserves Contributed surplus	Deficit	Total
Balance, September 30, 2018	\$ 1,363,419	\$ 364,228	\$ (1,812,493)	\$ (84,846)
Net loss for the year	-	-	(1,685)	(1,685)
Balance, December 31, 2018	\$ 1,363,419	\$ 364,228	\$ (1,814,178)	\$ (86,531)
Balance, September 30, 2019	\$ 1,363,419	\$ 364,228	\$ (1,969,185)	\$ (241,538)
Net loss for the year	-	-	(5,281)	(5,281)
Balance, December 31, 2019	\$ 1,363,419	\$ 364,228	\$ (1,974,466)	\$ (246,819)

---

See accompanying notes to the condensed interim financial statements.

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Cash Flows (unaudited)

For the three months ended December 31, 2019 and December 31, 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Operating loss	\$ (5,282)	\$ (1,685)
Change in non-cash operating items:		
Net change in unrealized loss	-	3,036
Interest accrued	-	(2,480)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	1,417	1,037
Net cash used in operating activities	(3,865)	(92)
Decrease in cash	(3,865)	(92)
Cash, beginning of period	7,491	4,715
Cash, end of period	\$ 3,626	\$ 4,623

See accompanying notes to the condensed interim financial statements.

# PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to the condensed interim Financial Statements (unaudited)

December 31, 2019

---

## 1. Nature of Operations and Going Concern

Prospect Park Capital Corp. (the “**Corporation**”) was incorporated under the *Business Corporations Act* (Ontario) on September 7, 2012. The registered office of the Corporation is located at Suite 600, 100 King Street West, Toronto, Ontario M5X 1E2. The Corporation's financial year ends on September 30.

On March 28, 2013, the Corporation completed an initial public offering (the “**IPO**”) pursuant to Policy 2.4 – *Capital Pool Companies* (the “**CPC Policy**”) of the TSX Venture Exchange (the “**Exchange**”) and became classified as a Capital Pool Company (as such term is defined in the CPC Policy). The Corporation's common shares were listed on the Exchange on March 27, 2013 and commenced trading on March 28, 2013 under the symbol “PPK.P”.

Pursuant to a management agreement (the “**Management Agreement**”) dated September 25, 2014 between the Corporation and Prospect Park Management Inc., the general partner of Prospect Park Management Limited Partnership (the “**Manager**”), the manager of the Corporation, the Manager was appointed the manager of the Corporation to provide management, investment, valuation and administrative services and facilities to the Corporation and be responsible for the day-to-day operations of the Corporation (see note 9).

The current market conditions and volatility increase the uncertainty of the Corporation's ability to continue as a going concern given the need to both manage expenditures and to raise additional funds. The Corporation has a working capital deficit of \$246,819 as at December 31, 2019 (September 30, 2019 – deficit of \$241,538). The Corporation will continue to search for new or alternate sources of financing but anticipates that the current market conditions may impact the ability to source such funds. These material uncertainties cast significant doubt on the Corporation's ability to continue as a going concern.

There can be no assurance that the Corporation will be able to continue to raise funds in which case the Corporation may be unable to meet its obligations. Should the Corporation be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position.

## 2. Significant Accounting Policies

### (a) Statement of compliance and basis of presentation

These interim financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

The same accounting policies and methods of computation were followed in the preparation of these interim financial statements as were followed in the preparation and described in Note 2 of the annual financial statements as at and for the year ended September 30, 2019. Accordingly, these interim financial statements for the three-month period ended December 31, 2019 and 2018 should be read together with the annual financial statements as at and for the year ended September 30, 2019.

The financial statements have been prepared on historical cost basis except for some financial instruments that have been measured at fair value.

These financial statements were authorized by the board of directors of the Corporation on February 25, 2020.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to the condensed interim Financial Statements (unaudited)

December 31, 2019

### 2. Significant Accounting Policies (continued)

#### (b) New accounting policies adopted

IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and replaced IAS 17, “Leases”. IFRS 16 brings 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 became effective for annual periods beginning on or after January 1, 2019. This standard had no impact as the Company does not have any leases.

### 3. Share Capital

#### (a) Authorized:

The Corporation has authorized share capital of an unlimited number of common shares.

#### (b) Issued common shares:

	Number of Shares	Amount
<b>Balance, September 30, 2019 and December 31, 2019</b>	<b>9,819,117</b>	<b>\$ 1,363,419</b>

### 4. Stock Options

On June 6, 2016, shareholders of the Corporation approved an amended and restated stock option plan (the “**2016 Rolling Option Plan**”), and on July 20, 2016, the board of directors of the Corporation adopted a new 20% fixed number stock option plan (the “**2016 Fixed Option Plan**”) for the Corporation reserving 1,735,252 (20% of the issued and outstanding common shares on such date) common shares for issuance. The 2016 Fixed Option Plan and the 998,061 stock options (the “**2016 Grants**”) granted under the 2016 Fixed Option Plan were subject to shareholder approval at a subsequent shareholders’ meeting. Pursuant to section 3.9(f) of Policy 4.4 – *Incentive Stock Options* of the Exchange, the 2016 Grants were terminated, and the Corporation reverted back to the 2016 Rolling Option Plan, as the 2016 Fixed Option Plan and 2016 Grants were not approved by shareholders within 12 months.

The following table reflects the actual stock options issued and outstanding as of December 31, 2019:

Expiry Date	Exercise Price (\$)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
March 28, 2023	0.20	3.25	598,224	598,224	-

The options outstanding have a weighted average remaining contractual life of 3.25 years and a weighted average exercise price of \$0.20.



## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to the condensed interim Financial Statements (unaudited)

December 31, 2019

---

### 5. 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.

- (i) During the period, the Corporation accrued \$4,520 (three months ended December 31, 2018 - \$6,780) in monthly fees to CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at December 31, 2019, \$95,740 (September 30, 2019 - \$91,220) is included in accounts payable and accrued liabilities (see note 9).
- (ii) Included in the December 31, 2019 accounts payable and accrued liabilities is \$6,340 (September 30, 2019 - \$6,340) due to DLA. DLA Piper (Canada) LLP ("DLA") for legal services (including tax and disbursements). Robbie Grossman is a partner of DLA and an officer and director of the Corporation.
- (iii) Pursuant to the Management Agreement, during the year, the Manager was entitled to a monthly 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 such management fee, calculated as of the last business day of each month. For the three months ended December 31, 2019 and December 31, 2018, no management fees were charged. As at December 31, 2019, \$1,404 (September 30, 2019 - \$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 until January 22, 2020) are the limited partners of the Manager and the sole officers, directors and shareholders of the general partner of the Manager. See note 9.
- (iv) Pursuant to the Management Agreement, during the year, the Manager was entitled to a performance fee equal to 20% of the net appreciation in the net asset value of the Corporation calculated as of the last day of each 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 such performance fee. The performance fees, if any, 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, 2019 and December 31, 2018, no performance fees were earned. See note 9.
- (v) As at December 31, 2019, \$14,434 (September 30, 2019 - \$14,434) is owed to Joshua Kornberg for expenses paid on behalf of the Corporation.

### 6. Net Loss per Common Share

Diluted loss per share for 2019 and 2018 did not include the effect of options or warrants as they are anti-dilutive.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to the condensed interim Financial Statements (unaudited)

December 31, 2019

---

### 7. 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.

(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 Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk. The Company does not hold material balances in foreign currencies to give rise to exposure to foreign exchange risk.

### 8. Operating, general and administrative expenses

Three months ended December 31,	2019	2018
Accounting and audit	\$ 4,520	\$ 255
Transfer agent	671	783
Office	90	91
	<u>\$ 5,281</u>	<u>\$ 1,129</u>

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to the condensed interim Financial Statements (unaudited)

December 31, 2019

---

### 9. Subsequent Events

Subsequent to the quarter end, the Corporation entered into debt settlement agreements to settle debt with a carrying value of \$215,283 in exchange for \$70,659. \$95,000 of this was settled with a related party for \$45,000.

On January 22, 2020, the Corporation issued to six arm's length lenders unsecured promissory notes for an aggregate principal amount of \$80,010. The notes have a term of 12 months and bear interest at a rate of 12% per annum payable on maturity.

Effective January 22, 2020, the Corporation and Prospect Park Management Inc., the general partner of the Manager, mutually agreed to terminate, the Management Agreement. The senior officers of the Corporation, under the supervision of the board of directors of the Corporation, resumed the management of the day-to-day operations of the Corporation.

On January 30, 2020, the Corporation issued an unsecured promissory note for an aggregate principal amount of \$20,000. The note matures on January 22, 2021 and bears interest at a rate of 12% per annum payable on maturity.