**PROSPECT PARK CAPITAL CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE THREE MONTHS ENDED DECEMBER 31, 2019**

## INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**") is dated February 25, 2020, 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, 2019 and the audited financial statements for the year ended September 30, 2019, 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, 2019 are not necessarily indicative of the results that may be expected for any future period.

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

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

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

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

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 (the "**TSXV**") under the symbol PPK.

## DISCUSSION OF OPERATIONS

As at December 31, 2019, the Corporation had assets of $3,626 compared to $7,491 at September 30, 2019, and liabilities of $250,445 (September 30, 2019 - $249,029 ).

For the three months ended December 31, 2019, the Corporation had a net loss of $5,281 (with basic and diluted loss per share of $0.00), compared to a net loss of $1,685 (with basic and diluted income per share of $0.00) for the three months ended December 31, 2018.

Summary of investment income 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 loss | - | (3,036) |
| Interest income | - | 2,480 |
| | $ - | $ (556) |

Net change in unrealized loss on investments represented the change in unrealized loss on investments (all were sold in January 2019). Interest income had been accrued on a loan receivable. No interest had been accrued in the current period as the loan was considered fully impaired at September 30, 2019.

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

| Three months ended December 31, | 2019 | 2018 |
|---|---|---|
| Accounting and audit | $ 4,520 | $ 255 |
| Transfer agent | 671 | 783 |
| Office | 90 | 91 |
| | $ 5,281 | $ 1,129 |

## 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(1) ($) |
| December 31, 2019 | - | (5,281) | (0.00) |
| September 30, 2019 | - | (133,769) | (0.02) |
| June 30, 2019 | - | (7,165) | (0.00) |
| March 31, 2019 | - | (14,073) | (0.00) |
| December 31, 2018 | - | (1,685) | (0.00) |
| September 30, 2018 | - | 68,214 | 0.01 |
| June 30, 2018 | - | (14,282) | (0.00) |
| June 30, 2018 | - | (10,885) | (0.00) |

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

## LIQUIDITY AND CASH FLOW

At December 31, 2019, the Corporation had a cash balance of $3,626 (September 30, 2019 - $7,491), and a working capital deficit of $246,819 (September 30, 2019 – deficit of $241,538).

During the three months ended December 31, 2019, the Corporation had a decrease in cash and cash equivalents of $3,865 (2018 - $92), all representing cash used in operations.

## 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.

(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. Subsequent to the quarter end, the Corporation entered into a debt settlement agreement to settle this debt in exchange for a payment of $45,000.

(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 (defined below), during the year, the Manager (defined below) 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. On January 22, 2020, the Management Agreement was terminated.

(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. On January 22, 2020, the Management Agreement was terminated.

(v) As at December 31, 2019, $14,434 (September 30, 2019 - $14,434) was owed to Joshua Kornberg for expenses paid on behalf of the Corporation.

## RISK FACTORS

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Corporation and its financial position. Please refer to the section entitled "Risk Factors" in the Corporation's most recently filed annual management's discussion & analysis for the fiscal year ended September 30, 2019, available on SEDAR at www.sedar.com.

## RECENT ACCOUNTING PRONOUNCEMENTS

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. The adoption of this standard had no impact on the financial statements of the Corporation as it is not party to any lease arrangements.

### 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.

## 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 is not subject to any capital requirements imposed by a lending institution or regulatory body, other than that of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000, and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of the date hereof, management believes it is compliant with the policies of the TSXV. 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.

**SUBSEQUENT EVENTS**

On January 22, 2020, Samuel Herschkowitz (CEO and director), Jeffrey Barnes (director) and Seymour Fein (director) resigned and their vacancies were filled by James Greig (CEO and director) and Toby Pierce (director).

On January 22, 2020, the Corporation and Prospect Park Management Inc., the general partner of Prospect Park Management Limited Partnership (the "**Manager**"), the manager of the Corporation, mutually agreed to terminate the management agreement (the "**Management Agreement**") dated September 25, 2014 whereby 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. 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 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. The net proceeds of the financing will be used by the Corporation to settle outstanding debt and for working capital.

On January 30, 2020, the Corporation issued an unsecured promissory note for an aggregate principal amount of $20,000. The note has a term of 12 months and bear interest at a rate of 12% per annum payable on maturity.

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.

**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 and exercisable for 598,224 common shares. Therefore, the Corporation had 10,417,341 common shares on a fully diluted basis.