Unaudited Condensed Interim Financial Statements
(In Canadian dollars)

# PROSPECT PARK CAPITAL CORP.

THREE MONTHS ENDED DECEMBER 31, 2020

## 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)

Unaudited Condensed Interim Statements of Financial Position

As at December 31, 2020 and September 30, 2020

| | December 31, 2020 | September 30, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | $ 5,242 | $ 16,116 |
| Cash in trust (note 2) | 415,750 | 217,649 |
| | $ 420,992 | $ 233,765 |
| **Liabilities and Shareholders' Equity (Deficit)** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 6) | $ 34,782 | $ 48,993 |
| Loans payable (note 3) | 100,010 | 100,010 |
| | 134,792 | 149,003 |
| Shareholders' equity (deficit): | | |
| Share capital (note 4) | 1,687,362 | 1,470,867 |
| Shares to be issued (note 10) | 50,400 | - |
| Reserves (note 4) | 487,246 | 528,940 |
| Deficit | (1,938,808) | (1,915,045) |
| | 286,200 | 84,762 |
| | $ 420,992 | $ 233,765 |

Nature of Operations and Going Concern (note 1)

Subsequent Events (note 10)

See accompanying notes to financial statements.

# PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Unaudited Condensed Interim Statements of Loss and Comprehensive Loss

For the three months ended December 31, 2020 and December 31, 2019

| | 2020 | 2019 |
|---|---|---|
| Expenses: | | |
| Operating, general and administrative (note 9) | 20,738 | 5,281 |
| Interest expense | 3,025 | - |
| Net loss and comprehensive loss | $ (23,763) | $ (5,281) |
| Income loss per common share - basic and diluted (note 7) | $ (0.00) | $ (0.00) |
| Weighted average number of shares outstanding - basic and diluted (note 7) | 14,754,470 | 5,891,470 |

See accompanying notes to financial statements.

# PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)
Unaudited Condensed Interim Statements of Changes in Shareholders' Equity (Deficit)
For the three months ended December 31, 2020 and December 31, 2019

| | Share capital | Shares to be issued | Reserves<br>Contributed surplus | Deficit | Total |
|---|---|---|---|---|---|
| Balance, September 30, 2019 | $ 1,363,419 | $ - | $ 364,228 | $ (1,969,185) | $ (241,538) |
| Net loss for the period | - | - | - | (5,281) | (5,281) |
| Balance, December 31, 2019 | $ 1,363,419 | $ - | $ 364,228 | $ (1,974,466) | $ (246,819) |
| Balance, September 30, 2020 | $ 1,470,867 | $ - | $ 528,940 | $ (1,915,045) | $ 84,762 |
| Exercise of warrants | 216,495 | - | (41,695) | - | 174,800 |
| Proceeds from sale of shares to be issued | - | 50,400 | - | - | 50,400 |
| Net loss for the period | - | - | - | (23,763) | (23,763) |
| Balance, December 31, 2020 | $ 1,687,362 | $ 50,400 | $ 487,246 | $ (1,938,808) | $ 286,200 |

See accompanying notes to financial statements.

# PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Unaudited Condensed Interim Statements of Cash Flows

For the three months ended December 31, 2020 and December 31, 2019

| | 2020 | 2019 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss | $ (23,763) | $ (5,281) |
| Change in non-cash working capital: | | |
| Accounts payable and accrued liabilities | (14,210) | 1,417 |
| Net cash used in operating activities | (37,974) | (3,864) |
| Financing activities: | | |
| Proceeds from issuance of common shares not yet issued (note 10) | 50,400 | - |
| Exercise of warrants (note 4) | 174,800 | - |
| Net cash provided by financing activities | 225,200 | - |
| Increase in cash | 187,227 | (3,864) |
| Cash and cash in trust, beginning of period | 233,765 | 7,491 |
| Cash and cash in trust, end of period | $ 420,992 | $ 3,627 |

See accompanying notes to financial statements.

## 1. Nature of Operations and Going Concern

Prospect Park Capital Corp. (the “Corporation” or “Prospect Park”) 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.

On March 28, 2013, the Corporation completed an initial public offering ("IPO") pursuant to Policy 2.4 – Capital Pool Companies (the “CPC Policy”) of the TSX Venture Exchange (“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".

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 will continue to search for new or alternate sources of financing in order to purchase new investments 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.

On October 2, 2020 the Corporation amended its statement of investment policies and procedures to change the focus of the Corporation from healthcare investments to investments in the resource sector.

On February 3, 2021, the Corporation completed split of its common shares, on the basis of three post-split common shares for each one pre-split common share. As a result, all outstanding common shares and stock option information presented in these consolidated financial statements has been retroactively adjusted on this basis.

## 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 financial statements have been prepared on historical cost basis except for some financial instruments that have been measured at fair value, as explained in the accounting policies set out below.

These financial statements were authorized by the Board of Directors of the Corporation on February 26, 2021.

(In Canadian Dollars)

## 2. Significant Accounting Policies (continued)

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, 2020. Accordingly, these interim financial statements for the three months ended December 31, 2020 and December 31, 2019 should be read together with the annual financial statements as at and for the year ended September 30, 2020.

*Recent Accounting Pronouncements*

IAS 1, Presentation of Financial Statements

In January 2020, the IASB issued amendments to IAS 1, Presentation of Financial Statements to clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and is unaffected by expectations about whether or not an entity will exercise their right to defer settlement of a liability. The amendments further clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively. The Corporation is currently evaluating the impact of these amendments on its financial statements and will apply the amendments from the effective date.

## 3. Loans Payable

On January 22, 2020, the Corporation issued unsecured promissory notes (the "Notes") for an aggregate principal amount of $100,010. The notes have a term of 12 months and bear interest at a rate of 12% per annum payable on maturity.

The notes were settled subsequent to December 31, 2020 through the issuance of units (see note 10).

See note 6 for related party transactions.

## 4. 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 |
|---|---|---|---|
| **Balance, September 30, 2019** | **5,891,470** | **$** | **1,363,419** |
| Common shares issued on private placement (i) | 8,331,000 | | 312,412 |
| Valuation of warrants issued (i) | - | | (152,351) |
| Share issue costs – cash (i) | - | | (40,252) |
| Valuation of broker warrants issued (i) | - | | (12,361) |
| **Balance, September 30, 2020** | **14,222,470** | **$** | **1,470,867** |
| Common shares issued on exercise of warrants | 2,280,000 | | 174,800 |
| Value of warrants exercised | - | | 41,695 |
| **Balance, December 31, 2020** | **16,502,470** | **$** | **1,687,361** |

(In Canadian Dollars)

## 4. Share Capital (continued)

(i) On July 14, 2020, the Corporation closed a non-brokered private placement for gross proceeds of $312,412 through the issuance of 8,331,000 units (a “Unit” or “Units”) of the Corporation at $0.0375 per Unit (the “Offering”). Each Unit consisted of (i) one common share in the capital of the Corporation (a “Common Share” or “Common Shares”), and (ii) one share purchase warrant (a “Warrant”). Each Warrant entitles the holder thereof to acquire one additional Common Share of the Corporation at a price of $0.0767 per share until the date that is twenty-four months from the date of issuance. The Warrants were valued at $152,351 using the Black-Scholes option pricing model using the following assumptions: Term – 2 years; Volatility – 317%; Interest rate – 0.28%.

In connection with the Offering, the Corporation paid registered dealers an finders fees consisting of a cash commission equal to 8% of the aggregate subscription price of the Common Shares sold in the amount of $24,993 and issued 666,480 non-transferable common share purchase warrants (a “Broker Warrant”) equal to 8% of the aggregate number of Units sold pursuant to the Offering. Each Broker Warrant entitles the holder to acquire one Common Share of the Corporation at a price of $0.0375 per share for a period of twenty-four months from the date of issuance.

### (c) Warrants issued and outstanding as of December 31, 2020:

| Issue Date | Expiry Date | Number of Warrants Outstanding | Exercise Price ($) |
|---|---|---|---|
| July 14, 2020 | July 14, 2022 | 6,051,000 | 0.0767 |
| July 14, 2020 | July 24, 2022 | 666,480 | 0.0375 |

## 5. 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 (“Policy 4.4”) of the TSX Venture 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, 2020:

| Expiry Date | Exercise Price ($) | Remaining Contractual Life (years) | Number of Options Outstanding | Number of Options Vested (exercisable) | Number of Options Unvested |
|---|---|---|---|---|---|
| March 28, 2023 | 0.33 | 2.49 | 95,088 | 95,088 | - |
| January 22, 2021 | 0.33 | 0.06 | 263,846 (note 10) | 263,846 | - |

The options outstanding have a weighted average remaining contractual life of 0.64 years and a weighted average exercise price of $0.33.

## 6. 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 three months ended December 31, 2020, the Corporation was charged $nil (three months ended December 31, 2019 - $4,520) in accounting services by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. In January 2020, the Corporation entered into an agreement to settle $95,740 of debt with CFO Advantage Inc. in exchange for $45,000. As at December 31, 2020, $1,325 (September 30, 2020 - $1,325) is included in accounts payable and accrued liabilities for outstanding fees.

(ii) During the three months ended December 31, 2020, the Corporation was billed $5,539 (three months ended December 31, 2019 - $nil) by DLA Piper (Canada) LLP for legal expenses (including disbursement paid by legal). Robbie Grossman is a partner of DLA Piper (Canada) LLP and an officer and director of the Corporation. Included in the December 31, 2020 accounts payable and accrued liabilities is $nil ~~(~~September 30, 2020 - $21,535) due to DLA Piper (Canada) LLP for legal expenses (including and disbursements paid by legal).

(iii) Included in loans payable (note 3) are two promissory notes for $20,000 principal amounts issued to individuals (James Greig and Toby Pierce) who became directors of the Corporation subsequent to the issuance of the notes.

(iv) James Greig and Toby Pierce, directors of the Corporation, each subscribed for 900,000 Units under the Offering (note 4).

## 7. Net Loss per Common Share

Diluted loss per share for 2020 and 2019 did not include the effect of options or warrants as they are anti-dilutive.

## 8. 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 in trust. Cash is held with a major Canadian chartered bank and cash in trust is held by the Corporation's lawyers, 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 in trust. 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.

## 8. Financial Instruments (continued)

(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:

Currency risk is the risk that fluctuations in the rates of exchange on foreign currency would impact the Corporation's cash flows. The Corporation'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 Corporation does not hold material balances in foreign currencies to give rise to exposure to foreign exchange risk.

## 9. Operating, general and administrative expenses

| Three months ended December 31, | | 2020 | | 2019 |
|---|---|---|---|---|
| Legal fees (and disbursements paid by legal) | $ | 5,539 | $ | - |
| Accounting and audit | | 4,000 | | 4,520 |
| Regulatory fees | | 5,428 | | - |
| Transfer agent | | 3,889 | | 671 |
| Other | | 1,522 | | 90 |
| | $ | 20,378 | $ | 5,281 |

## 10. Subsequent Events

On January 19, 2021, the Corporation announced the closing of a non-brokered private placement (the "Offering"). Pursuant to the Offering, the Corporation raised gross proceeds of $998,512 through the issuance of 14,264,463 common shares of the Corporation at $0.07 per share. $50,400 of the proceeds were received prior to December 31, 2020. The net proceeds of the Offering will be used by the Corporation for working capital. In connection with the Offering, the Corporation paid registered dealers and finders (i) an aggregate cash commission of $62,947, and (ii) non-transferable finder's warrants to purchase 899,244 common shares of the Corporation at an exercise price of $0.07 per share for a period of twenty-four (24) months from closing. All three directors of the Corporation participated in the Offering.

In January 2021, the Corporation closed a securities for debt settlement transaction with seven lenders, pursuant to which it issued an aggregate of 1,580,139 Units of the Corporation at a deemed price of $0.07 per Unit in satisfaction of $110,610 of debt (including accrued interest) pursuant to the Notes issued in January 2020. Each Unit consists of one (1) common share of the Corporation and one (1) warrant with each warrant exercisable for one (1) common share of the Corporation at $0.093 per share for twenty-four (24) months from closing. Two of the lenders are current directors of the Company but they acquired the Notes (for an aggregate principal amount of $20,000) prior to becoming directors of the Company.

## 10. Subsequent Events (continued)

Subsequent to the quarter-end, 263,846 stock options issued to former officers and directors expired unexercised.

## 11. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The outbreak of COVID-19 has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact they will have on the Corporation's financial position and results of operations for future periods.