

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

**PROSPECT PARK CAPITAL CORP.**

March 31, 2015

## **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)

March 31, 2015 and September 30, 2014

	As at March 31, 2015	As at September 30, 2014
<b>Assets</b>		
Cash and cash equivalents	\$ 202,025	\$ 934,025
Investments at fair value (notes 3 and 10)	793,138	-
Loan receivable (note 4)	25,833	-
Accounts receivable	6,326	12,877
	<b>\$ 1,027,322</b>	<b>\$ 946,902</b>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Accounts payable and accrued liabilities (notes 3 and 8)	\$ 523,297	\$ 190,756
Shareholders' equity:		
Share capital (note 5)	1,340,562	1,040,562
Reserves (notes 6 and 7)	170,125	170,125
Deficit	(1,006,662)	(454,541)
	504,025	756,146
	<b>\$ 1,027,322</b>	<b>\$ 946,902</b>

See accompanying notes to financial statements.

On behalf of the Board:

Dr. Samue Herschkowitz

Director

Mr. Joshua Kornberg

Director

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)

For the three and six months ended March 31, 2015 and 2014

	Three months ended March 31		Six months ended March 31	
	2015	2014	2015	2014
Net investment gains (losses)				
Net change in unrealized loss on investments	\$ (428,756)	\$ -	\$ (374,862)	\$ -
Other income	767	3,212	2,280	6,540
	(427,989)	3,212	(372,582)	6,540
Expenses:				
Operating, general and administrative (note 11)	70,008	75,731	179,539	132,116
Net loss and comprehensive loss	\$ (497,997)	\$ (72,519)	\$ (552,121)	\$ (125,576)
Loss per common share - basic and diluted (note 9)	\$ (0.06)	\$ (0.02)	\$ (0.06)	\$ (0.03)
Weighted average number of shares outstanding - basic and diluted (note 9)	8,676,260	3,635,000	8,532,925	3,635,000

See accompanying notes to financial statements.

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

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

For the three and six months ended March 31, 2015 and 2014

	Share capital	Reserves		Deficit	Total
		Warrants	Contributed surplus		
Balance, September 30, 2013	\$1,040,562	\$ 38,168	\$ 131,957	\$ (182,727)	\$1,027,960
Net loss and comprehensive loss for the period	-	-	-	(125,576)	(125,576)
Balance, March 31, 2014	\$1,040,562	\$ 38,168	\$ 131,957	\$ (308,303)	\$ 902,384
Balance, September 30, 2014	\$1,040,562	\$ 38,168	\$ 131,957	\$ (454,541)	\$ 756,146
Shares issued for purchase of investment	300,000	-	-	-	300,000
Expiry of warrants	-	(38,168)	38,168	-	-
Net loss and comprehensive loss for the period	-	-	-	(552,121)	(552,121)
Balance, March 31, 2015	\$1,340,562	\$ -	\$ 170,125	\$ (1,006,662)	\$ 504,025

See accompanying notes to financial statements.

## PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Cash Flows (unaudited)

For the six months ended March 31, 2015 and 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Operating loss	\$ (552,121)	\$ (125,576)
Change in non-cash operating items:		
Net change in unrealized gain	374,862	-
Change in non-cash working capital:		
Accounts receivable	6,551	(723)
Prepaid expenses	-	(15,000)
Accounts payable and accrued liabilities	32,541	115,405
Net cash used in operating activities	(138,167)	(25,894)
Investing activities		
Loan advance	(25,833)	-
Purchase of investments	(568,000)	-
Net cash used in investing activities	(593,833)	-
Decrease in cash and cash equivalents	(732,000)	(25,894)
Cash and cash equivalents, beginning of period	934,025	1,056,150
Cash and cash equivalents, end of period	\$ 202,025	\$ 1,030,256

See accompanying notes to financial statements.

# PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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## 1. Nature of Operations

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 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3. The Corporation's financial year ends on September 30.

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 Corporation made certain investments acquisitions, as described in note 3. These acquisitions collectively met the definition of a Qualifying Transaction, as defined by the Exchange. On October 24, 2014, the common shares commenced trading on the Exchange under the symbol PPK, and continues in the business of a public healthcare focused investment corporation.

Prospect Park Management Limited Partnership (the "Manager") is the manager of the Corporation. The Manager provides management, investment, valuation and administrative services to the Corporation.

## 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 3 of the annual financial statements as at and for the year ended September 30, 2014. Accordingly, these interim financial statements for the three and six month period ended March 31, 2015 and 2014 should be read together with the annual financial statements as at and for the year ended September 30, 2014.

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 June 1, 2015.

### *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 accounting periods beginning on January 1, 2018. The Corporation is in the process of assessing the impact of this pronouncement.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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### 2. Significant Accounting Policies (continued)

(ii) IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

### 3. Investments

Pursuant to a subscription agreement dated October 2013 between IOI LLC (“IOI”) and the Corporation (the “**IOI Investment**”), the Corporation agreed to acquire from IOI approximately 5.0% to 7.5% of the outstanding interests of the members of IOI (“**IOI Membership Interest**”) for the purchase price of US\$150,000. On October 20, 2014, the Corporation completed the acquisition and purchased 5.66% in IOI Membership interest for \$174,000 (US\$150,000). IOI, as co-lender, and various lenders have entered into a credit and guaranty agreement dated as of July 12, 2013 with Serenity Pharmaceuticals, LLC (“**Serenity**”) as borrower and Firefly Agent, LLC as administrative agent (“**IOI Credit Agreement**”). Pursuant to the IOI Credit Agreement, IOI (as to 20%) and the Lenders (as to 80%) have agreed to extend to Serenity a US\$15,000,000 senior secured first lien multi-draw term loan (the “**Minimum Term Loan**”), subject to an increase of up to US\$5,000,000 to US\$20,000,000 (the “**Maximum Term Loan**”) at Serenity’s option subject to certain qualifications as outlined in the IOI Credit Agreement.

Pursuant to a share purchase agreement dated August 28, 2014 between SOK Partners LLC (“**SOK**”) and the Corporation (the “**SOK Agreement**”), the Corporation agreed to acquire (such acquisition, the “**Skyline Investment**”) 10,423,309 common shares (“**Skyline Shares**”) of Skyline from SOK for the purchase price of \$1,000,000. The purchase price was payable as follows: (i) \$400,000 payable in cash at closing; (ii) \$300,000 payable at the closing by the issuance of 1,304,347 common shares of the Corporation at a deemed price of \$0.23 per share; and (iii) \$300,000 payable within six (6) months of closing by the issuance of 1,714,285 common shares of the Corporation at a deemed price of \$0.175 per share (included in accounts payable and accrued liabilities at March 31, 2015). On October 23, 2014, the Corporation completed the transaction and paid both the \$400,000 cash and issued the initial 1,304,347 common shares. (see note 8 related party transactions). Pursuant to the SOK Agreement, SOK agreed to provide downside protection to Prospect Park for the Skyline Shares acquired pursuant to the Skyline Investment (“**Downside Protection**”). The Downside Protection is to be determined as of the 90th calendar day after Closing and as of the 12 month anniversary of Closing.

### 4. Loan Receivable

Pursuant to a credit agreement between Above the Fold, LLC (“**ATF**”) and the Corporation (and subject to final approval of the Exchange), the Corporation has agreed to lend ATF a principal amount of up to US\$100,000 (the “**Loan**”), maturing on February 28, 2016 (“**Maturity Date**”). Interest on the principal amount of the Loan from time to time outstanding shall accrue from the Closing Date at the rate of twelve per cent (12%) per annum, calculated annually on the basis of a 365 day calendar year and payable on the Maturity Date or the date of prepayment or repayment, as applicable.



## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

### 5. 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, December 30, 2013 and September 30, 2014	7,371,913	\$ 1,040,562
Shares issued on investment (note 3)	1,304,347	300,000
<b>Balance, March 31, 2015</b>	<b>8,676,260</b>	<b>\$ 1,340,562</b>

### 6. Warrants

No warrants were issued during the six months ended March 31, 2015 or the year ended September 30, 2014.

The following table reflects the activity of warrants for the six months ended March 31, 2015:

	Exercise Price (\$)	Number of Warrants Outstanding	Value
Balance September 30, 2014	0.20	363,500	38,168
Expired March 28, 2015		(363,500)	(38,168)
<b>Balance March 31, 2015</b>		<b>-</b>	<b>-</b>

### 7. Stock Options

No stock options were granted for the six months ended March 31, 2015 or the year ended September 30, 2014.

The following table reflects the actual stock options issued and outstanding as of March 31, 2015:

Expiry Date	Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
March 28, 2023	0.20	8.00	737,191	737,191	-

### 8. Related Party Transactions

Related parties include the Board of Directors, close family members, enterprises and others over which it exercises significant influence.

The below noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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### 8. Related Party Transactions (continued)

(i) During the three and six months ended March 31, 2015, the Corporation was charged \$7,300 and \$11,300, respectively, (2013 - \$nil) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at March 31, 2015, \$7,040 (September 30, 2014 - \$nil) is included in accounts payable and accrued liabilities.

(ii) During the three and six months ended March 31, 2015, the Corporation incurred expenditures of \$14,598 and \$104,955 respectively, (\$56,837 and \$107,774 respectively for the three and six months ended March 31, 2014) to McMillan LLP for legal services (including disbursements). Robbie Grossman is a partner of McMillan LLP and an officer and director of the Corporation. Included in the September 30, 2014 accounts payable and accrued liabilities is \$178,770 (September 30, 2014 - \$159,484) due to McMillan LLP.

(iii) Management fee – The Manager will receive a monthly management fee (a “**Management Fee**”) equal to 1/12th of 2% of the net asset value of the Corporation, inclusive of any taxes payable by the Corporation in respect of the Management Fee, calculated as of the last business day of each month.

For the three and six months ended March 31, 2015, the Corporation was charged \$4,920 and \$10,942 respectively, plus HST (\$nil for the three and six months ended March 31, 2014) in Management Fees. As at March 31, 2015, the \$9,156 (September 30, 2014 - \$nil) is 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 six months ended March 31, 2015, no performance fee was earned.

(v) The Corporation entered into the SOK Agreement (see note 3) to purchase the Skyline Shares. 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. In addition, Joshua Kornberg is a director and officer of Skyline and Frank Mancuso Jr., one of the directors of the Corporation, is an independent director of Skyline.

(vi) The Corporation entered into a subscription agreement with IOI to acquire an IOI Membership Interest (see note 3). The Corporation is related due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, being the manager of IOI.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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### 8. Related Party Transactions (continued)

(vii) The Corporation entered into a credit agreement with ATF to loan ATF up to U.S\$100,000 (see note 4). The Corporation is related due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, and Josh Kornberg, a director of the Corporation, being shareholders of ATF.

The Corporation is not aware of any arrangements that may, at a subsequent date, result in a change in control of the Corporation. To the knowledge of the Corporation, it is not directly or indirectly owned or controlled by another company, by any government or by any natural or legal person severally or jointly.

### 9. Net Loss per Common Share

The calculation of basic and diluted income per share for the three and six months ended March 31, 2015 was based on the loss attributable to common shareholders of \$497,997 and \$552,121 respectively (three and six months ended March 31, 2014 - \$72,519 and \$125,576, respectively) and the weighted average number of common shares outstanding of 8,676,260 and 8,352,925 respectively (three and six months ended March 31, 2014 – 3,635,000). Diluted loss per share for 2015 and 2014 did not include the effect of options or warrants as they are anti-dilutive.

### 10. 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.

Accounts receivable consists of harmonized sales tax receivable from government authorities in Canada and other receivables. Management believes that the credit risk with respect to this accounts receivable is minimal.

#### (b) Interest Rate Risk:

The Corporation is not exposed to any significant interest rate risk.

#### (c) Liquidity Risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Corporation raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

### 10. 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:

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.

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31-Mar-15						
Currency	Exposure			Impact on net assets		
	Cash	Investments	Total	Cash	Investments	Total
Unites States Dollar	\$ 10	\$ 651,475	\$ 651,485	\$ 0	\$6,514	\$6,514

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As at March 31, 2015, 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 holders of redeemable units would have decreased or increased, respectively, by approximately 1.2% (\$6,514).

#### (f) 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:

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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### 10. Financial Instruments (Continued)

For publically 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.

March 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Investment in Skyline	\$ 604,138	\$ -	\$ -	\$ 604,138
Investment in IOI	-	-	189,000	189,000
	\$ 604,138	\$ -	\$ 189,000	\$ 793,138

## PROSPECT PARK CAPITAL CORP.

(In Canadian Dollars)

Notes to Condensed Interim Financial Statements (unaudited)

March 31, 2015

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### 11. Operating, general and administrative expenses

	Three months ended March 31,		Six months ended March 31,	
	2015	2014	2014	2013
Legal fees and disbursements	\$ 14,728	\$ 63,236	\$ 100,959	\$ 114,174
Accounting	15,627	12,405	20,640	13,155
Transfer agent	2,459	-	11,531	4,041
Filing fees	6,067	-	7,120	-
Rent	3,844	-	5,611	-
Management fee	4,920	-	10,942	-
Interest and bank charges	677	90	748	90
Office	4,339	-	4,641	656
Travel	17,347	-	17,347	-
	\$ 70,008	\$ 75,731	\$ 179,539	\$ 132,116