Financial Statements
(In Canadian dollars)

PROSPECT PARK CAPITAL CORP.

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Independent Auditors' Report

To the Shareholders of Prospect Park Capital Corp.:

We have audited the accompanying financial statements of Prospect Park Capital Corp., which comprise the statement of financial position as at September 30, 2015, and the statement of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Prospect Park Capital Corp. as at September 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The financial statements of Prospect Park Capital Corp. as at September 30, 2014 and for the year then ended, were audited by another auditor who expressed an unmodified opinion on those financial statements dated January 26, 2015.

MNP LLP

Toronto, Ontario
January 28, 2016

Chartered Professional Accountants
Licensed Public Accountants

PROSPECT PARK CAPITAL CORP.
(In Canadian dollars)

Statements of Financial Position

September 30, 2015 and September 30, 2014

	2015	2014
Assets		
Cash and cash equivalents	$ 36,564	$ 934,025
Investments at fair value (notes 3,10 and 13)	856,298	-
Loan receivable (note 4)	62,177	-
Interest receivable	17,246	-
Sales tax receivable	6,423	12,877
	$ 978,708	$ 946,902
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities (notes 3 and 8)	$ 553,402	$ 190,756
Shareholders' equity:		
Share capital (note 5)	1,340,562	1,040,562
Reserves (notes 6 and 7)	170,125	170,125
Deficit	(1,085,381)	(454,541)
	425,306	756,146
	$ 978,708	$ 946,902

See accompanying notes to financial statements.

On behalf of the Board:

Dr. Samuel Herschkowitz Director

Mr. Joshua Kornberg Director

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Statements of Loss and Comprehensive Loss

For the years ended September 30, 2015 and 2014

		2015		2014
Net unrealized loss on investments	$	(369,165)	$	-
Net investment losses		(369,165)		-
Other income		20,233		12,805
		(348,933)		12,805
Expenses:				
Operating, general and administrative (note 11)		281,907		284,619
Net loss and comprehensive loss	$	(630,840)	$	(271,814)
Loss per common share - basic and diluted (note 9)	$	(0.07)	$	(0.04)
Weighted average number of shares outstanding - basic and diluted (note 9)		8,604,789		7,371,913

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)
Statements of Changes in Shareholders' Equity
For the years ended September 30, 2015 and 2014

	Share capital	Reserves: Warrants	Reserves: Contributed surplus	Deficit	Total
Balance, September 30, 2013	$ 1,040,562	$ 38,168	$ 131,957	$ (182,727)	$ 1,027,960
Net loss and comprehensive loss for the year	-	-	-	(271,814)	(271,814)
Balance, Septmeber 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 year	-	-	-	(630,840)	(630,840)
Balance, September 30, 2015	$ 1,340,562	$ -	$ 170,125	$ (1,085,381)	$ 425,306

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Statements of Cash Flows

For the years ended September 30, 2015 and 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Net loss	$ (630,840)	$ (271,814)
Change in non-cash operating items:		
Net unrealized loss	369,165	-
Interest accrued	(17,246)	(12,805)
Change in non-cash working capital:		
Sales tax receivable	6,454	(12,877)
Accounts payable and accrued liabilities	62,645	162,566
Net cash used in operating activities	(209,821)	(134,930)
Investing activities		
Loan advanced	(62,177)	-
Purchase of investments	(625,463)	
Interest received	-	12,805
Net cash received (used) in investing activities	(687,640)	12,805
Decrease in cash and cash equivalents	(897,461)	(122,125)
Cash and cash equivalents, beginning of year	934,025	1,056,150
Cash and cash equivalents, end of year	$ 36,564	$ 934,025

See accompanying notes to financial statements.

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, as described in note 3. These investments 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, as an investment corporation focused on public healthcare.

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 financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

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 January 27, 2016.

(b) Functional and presentation currency

These financial statements have been prepared in Canadian dollars, which is the Corporation’s functional and presentation currency.

(c) Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise of cash with a major Canadian chartered bank and highly liquid investments with maturities of less than 90 days.

(d) Share-based payment transactions

The Corporation has a share-based compensation plan that grants stock options and warrants to employees and non-employees.

2. Significant Accounting Policies (continued)

The Corporation uses the fair value-based method of accounting for stock-based compensation arrangements. The fair value of each option granted is calculated using the Black-Scholes option pricing model at the date of grant and recognized in operations over the vesting period of the option, with the related increase recognized in contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital.

Where the terms of an equity instrument are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee, as measured at the date of modification.

Where an equity instrument is cancelled it is treated as if it vested on the date of cancellation and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity instruments are treated equally.

(e) Financial instruments

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements.

- Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs that are not based on observable market data (unobservable data).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial assets is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, with impairment losses recognized in net income (loss) and comprehensive income (loss).

The Corporation designates its cash and cash equivalents as fair value through income and accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost using the effective interest rate method.

Financial assets

The Corporation classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

2. Significant Accounting Policies (continued)

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statements of loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income. Where a decline in the fair value of an available for sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment the end of each reporting period. Financial assets are impaired when there is any objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities
The Corporation classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Fair value through profit or loss: This category comprises derivatives or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of loss.

Loans and receivables: These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Assets in this category include cash and accounts receivable.

Other financial liabilities: This category includes long-term debt, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

2. Significant Accounting Policies (continued)

The Corporation's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Investments at fair value	Fair value through profit and loss
Loan receivable	Loans and receivables
Interest and sales tax receivable	Loans and receivables

Financial Liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

Impairment of financial assets:
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

(f) Revenue recognition

Purchases and sales of investments are recognized on the settlement date. Realized gains and losses on disposal of investments and unrealized gains and losses in the value of investments are reflected in the statements of comprehensive loss.

Upon disposal of an investment, previously recognized unrealized gains or losses are reversed to recognize the full realized gain or loss in the period of disposition. All transaction costs associated with the acquisition and disposition of investments are expensed to the statements of comprehensive loss as incurred.

Dividend income is recorded on the ex-dividend date and when the right to receive the dividend has been established. Interest income, other income and income from securities lending are recorded on an accrual basis.

(g) Loss per share

The calculation of loss per common share is based on the reported net loss divided by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated on the treasury stock basis. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

(h) Shares issue costs

Costs incurred for the issue of common shares are deducted from share capital.

(i) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

2. Significant Accounting Policies (continued)

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available against which they can be utilized.

(j) Significant accounting judgements and estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(i) Share-based compensation
The Corporation includes estimates of forfeitures, expected life of the award, enterprise value of the Corporation and the risk-free interest rate in the calculation of stock option expense. These estimates are based on previous experience and may change throughout the life of a stock option plan.

(ii) Deferred tax assets
Deferred tax assets are recognized in respect of tax losses and other temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

2. Significant Accounting Policies (continued)

(k) Foreign currency translation

Within each entity, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in the statements of operations. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

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.

(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"), a related party (Note 8), 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 $169,260 (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. (see subsequent event note 12). As at September 30, 2015 the cost of the investment was $169,260.

(In Canadian Dollars)

3. Investments (continued)

Pursuant to a share purchase agreement dated August 28, 2014 between SOK Partners LLC ("**SOK**"), a related party (Note 8), 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. Subsequent to the purchase, Skyline underwent a 75 for 1 share consolidation. 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 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 September 30, 2015) The Corporation and SOK are currently negotiating an extension or waiver of this payment against the Downside Protection (defined below). 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 January 18, 2015 (the 90th calendar day after Closing) and as of October 20, 2015 (the 12 month anniversary of Closing). The Corporation continues to be in negotiations regarding the treatment of the Downside Protection.

Subsequent to the initial Skyline Investment the Corporation purchased an additional 41,724 shares in the open market. As at September 30, 2015 the Corporation owned 180,702 shares of Skyline with a cost of $1,056,202.

4. Loan Receivable

Pursuant to a credit agreement dated February 26, 2015, between Above the Fold, LLC ("ATF"), a related party (Note 8), 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 date of the advance 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.

As at September 30, 2015, $62,177 (US$48,208) has been advanced as part of the loan and $2,506 has been accrued as interest.

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, September 30, 2013 and September 30, 2014	**7,371,913**	**$**	**1,040,562**
Shares issued for investment (note 3)	1,304,347		300,000
Balance, September 30, 2015	**8,676,260**	**$**	**1,340,562**

(In Canadian Dollars)

6. Warrants

No warrants were issued during the year ended September 30, 2015 or the year ended September 30, 2014.

The following table reflects the activity of warrants for the years ended September 30, 2015 and 2014:

	Exercise Price ($)	Number of Warrants Outstanding	Value
Balance September 30, 2014 and 2013	0.20	363,500	38,168
Expired March 28, 2015		(363,500)	(38,168)
Balance September 30, 2015		-	-

7. Stock Options

The Corporation adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Corporation. The options can be granted for a maximum of 10 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than fair market value of the common shares on the date of grant.

No stock options were granted during the year ended September 30, 2015 or the year ended September 30, 2014.

The following table reflects the actual stock options issued and outstanding as of September 30, 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	7.50	737,191	737,191	-

8. Related Party Transactions

Related parties include 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.

(i) During the year, the Corporation was charged $ 24,860, (2014 - $nil) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at September 30, 2015, $6,780 (September 30, 2014 - $nil) is included in accounts payable and accrued liabilities.

(ii) During the year, the Corporation incurred expenditures of $118,927, (2014 - $162,224) 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, 2015 accounts payable and accrued liabilities is $182,611 (September 30, 2014 - $159,484) due to McMillan LLP.

8. Related Party Transactions (continued)

(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 year, the Corporation was charged $17,056 (2014 - $nil) in Management Fees.

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 year ended September 30, 2015 and 2014, 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.

(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, Josh Kornberg, a director of the Corporation, and Mr. Kornberg's spouse, being the shareholders of ATF.

9. Net Loss per Common Share

The calculation of basic and diluted income per share for the year ended September 30, 2015 and 2014 was based on the net loss attributable to common shareholders of $610,079 (2014 - $271,814) and the weighted average number of common shares outstanding of 8,604,789 (2014 – 7,371,913). 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 interest receivable on investments. Management believes that the credit risk with respect to these 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.

(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.

September 30, 2015						
		Exposure			**Impact on net assets**	
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 780	$ 639,029	$ 639,809	$ 78	$63,902	$63,980

As at September 30, 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 the shareholders could have decreased or increased, respectively, by approximately 14% ($63,980).

10. Financial Instruments (continued)

(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:

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.

(In Canadian Dollars)

10. Financial Instruments (Continued)

September 30, 2015	Level 1	Level 2	Level 3	Total
Financial assets				
Investment in Skyline	$ 655,298	$ -	$ -	$ 655,298
Investment in IOI	-	-	201,000	201,000
	$ 655,298	$ -	$ 201,000	$ 856,298

During the year, the Corporation had level 3 investment additions of $169,260 and recorded unrealized gains of $31,740.

11. Operating, general and administrative expenses

	2015	2014
Legal fees and disbursements	$ 135,560	$ 167,249
Accounting	41,450	41,360
Transfer agent	15,427	4,201
Filing fees	7,120	16,284
Rent	5,524	-
Management fee	17,056	-
Sponsorship	-	54,272
Office	13,847	1,253
Travel	45,923	-
	$ 281,908	$ 284,619

12. Income taxes

Significant components of deductible and taxable temporary differences and unused tax losses that have not been included on the statement of financial position are as follows:

	2015	2014
Non-capital losses carried forward	**$** 566,489	**$** 359,872
Investments	440,379	-
Share issue costs	39,419	-
	$ 1,046,287	**$** 359,872

(In Canadian Dollars)

12. Income taxes (Continued)

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company and its subsidiary can utilize the benefits therefrom. Non-capital losses expire as noted in the table below. Share issue costs will be fully amortized in 2018. The remaining deductible temporary differences may be carried forward indefinitely.

At September 30, 2015 the Company had Canadian non-capital loss carry forwards which may be available to offset future year's taxable income. The losses expire as follows:

2033	$	88,058
2034		271,814
2035		206,617
	$	566,489

13. Subsequent events

On November 9, 2015, the Corporation's initial investment in IOI was purchased by a private investment group. The Corporation invested in IOI as a limited partner thereby participating in IOI's subordinated note to finance Serenity Pharmaceuticals, LLC ("Serenity"). In consideration for selling its membership interest in IOI, the Corporation has received its initial capital returned (US$150,000) plus an 8% return (US$12,000) and the retained ability to collect an additional 32% should the Serenity drug successfully receive approval by the United States Food and Drug Administration.