Financial Statements
(In Canadian dollars)

PROSPECT PARK CAPITAL CORP.

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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 statements of financial position as at September 30, 2016 and 2015, and the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes that the Company has working capital deficit as at September 30, 2016 and negative cash flows from operations during the year then ended. These matters indicate the existence of material uncertainties that may cast significant doubt about Prospect Park Corp.'s ability to continue as a going concern.

MNP LLP

January 30, 2017
Toronto, Ontario

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Statements of Financial Position

As at September 30, 2016 and September 30, 2015

		2016		2015
Assets				
Cash and cash equivalents	$	47,254	$	36,564
Investments at fair value (notes 3 and 10)		32,294		856,298
Loan receivable (note 4)		82,293		62,177
Interest receivable (note 4)		10,213		17,246
Sales tax receivable		-		6,423
	$	172,054	$	978,708
Liabilities and Shareholders' Equity				
Liabilities:				
Accounts payable and accrued liabilities (notes 3 and 8)	$	388,359	$	553,401
Sharesholders' equity:				
Share capital (note 5)		1,340,562		1,340,562
Reserves (notes 6 and 7)		210,047		170,125
Deficit		(1,766,914)		(1,085,380)
		(216,305)		425,307
	$	172,054	$	978,708

Nature of operations and going concern (note 1)

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)

Statements of Loss and Comprehensive Loss

For the years ended September 30, 2016 and September 30, 2015

	2016	2015
Net investment gains (losses)		
(Loss) on sale of investments	$ (25,553)	$ -
Gain on amendment of SOK Agreement (note 3)	50,000	-
Gain (loss) on foreign exchange	(6,264)	(2,704)
Net change in unrealized loss on investments	(542,479)	(369,165)
Net investment (losses) gains	(524,296)	(371,869)
Other income	8,999	20,233
	(515,297)	(351,636)
Expenses:		
Operating, general and administrative (note 11)	166,237	279,203
Net loss and comprehensive loss	$ (681,534)	$ (630,839)
Loss per common share - basic and diluted (note 9)	$ (0.08)	$ (0.07)
Weighted average number of shares outstanding - basic and diluted (note 9)	8,676,260	8,604,789

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, 2016 and September 30, 2015

	Share capital	Reserves		Deficit	Total
		Warrants	Contributed surplus		
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	-	-	-	(630,839)	(630,839)
Balance, September 30, 2015	$ 1,340,562	$ -	$ 170,125	$ (1,085,380)	$ 425,307
Balance, September 30, 2015	$ 1,340,562	$ -	$ 170,125	$ (1,085,380)	$ 425,307
Net loss and comprehensive loss for the period	-	-	39,922	(681,534)	(641,612)
Balance, September 30, 2016	$ 1,340,562	$ -	$ 210,047	$ (1,766,914)	$ (216,305)

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.
(In Canadian dollars)
Statements of Cash Flows
For the years ended September 30, 2016 and September 30, 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Operating loss	$ (681,534)	$ (630,839)
Change in non-cash operating items:		
Net change in unrealized gain	542,479	369,165
Gain on amendment of SOK Agreement (note 3)	(50,000)	-
Gain on sale of investments	25,553	-
Share based compensation	39,922	-
Interest accrued	(7,707)	(17,246)
Sales tax write down	6,423	-
Change in non-cash working capital:		
Accounts receivable	-	6,454
Accounts payable and accrued liabilities	(115,043)	62,645
Net cash used in operating activities	(239,907)	(209,821)
Investing activities		
Loan advance	(20,116)	(62,177)
Purchase of investments	(34,842)	(625,463)
Procceds on sale of investment	290,815	-
Interest received	14,740	-
Net cash used in investing activities	250,597	(687,640)
Increase (decrease) in cash and cash equivalents	10,690	(897,461)
Cash and cash equivalents, beginning of year	36,564	934,025
Cash and cash equivalents, end of year	$ 47,254	$ 36,564

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 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.

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 is experiencing, and has experienced, negative operating cash flows and has working capital deficit of $209,883 as at September 30, 2016 (2015 – surplus of $425,307). 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.

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 30, 2017.

2. Significant Accounting Policies (continued)

(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.

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.

2. Significant Accounting Policies (continued)

Financial assets are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset 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 and investments as fair value through profit or loss and loan and interest 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:

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:

2. Significant Accounting Policies (continued)

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.

The Corporation's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Fair value through profit and loss
Investments at fair value	Fair value through profit and loss
Loan receivable	Loans and receivables
Interest 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 available-for-sale 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.

2. Significant Accounting Policies (continued)

(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.

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:

2. Significant Accounting Policies (continued)

(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.

(k) Foreign currency translation

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.

3. Investments

IOI LLC
On November 9, 2015, the Corporation's investment in IOI LLC ("IOI"), a related party (Note 8), was purchased by a private investment group. In consideration for selling its membership interest in IOI, the Corporation received its initial capital returned (US$150,000) plus an 8% return (US$12,000) and the retained ability to collect an additional 32% ("Maturity Amount") should the Serenity Pharmaceuticals LLC drug successfully receive approval by the United States Food and Drug Administration. Subsequent to year end, an amendment to the sale agreement was made to clarify the Maturity Amount is the greater of an additional 32% or 20% per annum on the amount of initial capital for the period until the Maturity Amount is paid less the initial capital plus 8%.

3. Investments (continued)

Skyline Medical Inc.
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 Medical Inc. 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). 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 was 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).

Pursuant to an amending agreement (the "SOK Amending Agreement") dated April 29, 2016, approved by the independent directors of Prospect Park, and approved by the shareholders on June 6, 2016 (at the Corporation's annual general meeting) the final payment due by the Corporation to SOK was amended to $250,000, payable on or before December 31, 2016, and payable in cash or by the issuance of 1,428,571, or any combination thereof. The revised terms were in exchange of releasing SOK of its initial downside protection.

Subsequent to the initial Skyline Investment the Corporation purchased and sold additional shares in the open market. As at September 30, 2016 the Corporation owned 145,428 shares of Skyline with a cost of $982,128 and a fair market value of $31,474.

4. Loan Receivable

Pursuant to a credit agreement dated February 26, 2015, as amended on April 27, 2016, between Above the Fold, LLC ("ATF"), a related party (Note 8), and the Corporation, the Corporation agreed to lend ATF a principal amount of up to US$100,000 (the "Loan"), maturing on February 28, 2017 ("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, 2016, $82,293 (US$62,750) (2015 - $62,177 (US$48,208)) has been advanced as part of the loan and $10,213 (2015 - $2,506) has been accrued as interest.

(In Canadian Dollars)

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, 2014	**7,371,913**	**$**	**1,040,562**
Shares issued for investment (note 3)	1,304,347		300,000
Balance, September 30, 2015 and September 30, 2016	**8,676,260**	**$**	**1,340,562**

6. Warrants

No warrants were issued during the year ended September 30, 2016 or the year ended September 30, 2015.

No warrants were outstanding as at September 30, 2016 and September 30, 2015. During the year ended September 30, 2015 363,500 warrants expired.

7. Stock Options

On July 20, 2016, the Corporation adopted a new stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire a fixed 20% of the issued and outstanding common stock of the Corporation. Pursuant to this plan, the Corporation can grant up to 1,735,252 stock options. 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.

On July 25, 2016, the Corporation issued 998,061 options to officers and directors of the Corporation exercisable for a period of ten years at an exercise price of $0.05 per option. The options vested on the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: share price of $0.04; expected volatility of 174%; expected dividend yield of 0%; risk-free interest rate of 1.12%; and expected life of 10 years. The Corporation has assumed no expected forfeitures. The options were valued at $39,922. Expected volatility was based on the historical volatility of other comparable listed companies.

The following table reflects the actual stock options issued and outstanding as of September 30, 2016:

Expiry Date	Exercise Price ($)	Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Number of Options Unvested
March 28, 2023	0.20	6.50	737,191	737,191	-
July 20, 2026	0.05	9.81	998,061	998,061	-

Weighted average remaining contractual life of 8.40 years. Weighted average exercise price of $0.11

8. 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. During the year, key management earned $39,922 (2015 - $nil) in stock based compensation and $ 27,120 (2015 – $24,860) in remuneration (Note 8(i).

(i) During the year, the Corporation was charged $ 27,120, (2015 - $24,860) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at September 30, 2016, $18,860 (2015 - $6,780) is included in accounts payable and accrued liabilities.

(ii) During the year, the Corporation incurred expenditures of $49,242, (2015 - $118,927) 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, 2016 accounts payable and accrued liabilities is $171,085 (2015 - $182,611) 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 year ended September 30, 2016, the Corporation was charged $2,725 (2015 - $17,056) in Management Fees. As at September, 30, 2016, $1,404 (2015 - $3,260) 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) 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, 2016, no performance fees were earned (2015 - $nil).

(v) During the year, the Corporation executed the SOK Amending Agreement (see note 3). 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.

(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.

8. Related Party Transactions (continued)

(vii) The Corporation is party to a credit agreement with ATF to loan ATF up to US$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

Diluted loss per share for 2016 and 2015 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.

Loan receivable consists of a loan from a related party. During the year, the repayment terms of the loan was extended a year. The loan was assessed for impairment. Management believes that the credit risk with respect to the loan 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.

10. Financial Instruments (continued)

(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, 2016						
		Exposure			**Impact on net assets**	
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 9,653	$ 24,818	$ 34,471	$ 97	$ 248	$ 345

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, 2016, 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 1% ($345) (2015 – 14%($63,980)).

(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:

(In Canadian Dollars)

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.

September 30, 2016	Level 1	Level 2	Level 3	Total
Financial assets				
Investment in Skyline	$ 31,474	$ -	$ -	$ 31,474
Investment in IOI	-	-	-	-
Other	820	-	-	820
	$ 32,294	$ -	$ -	$ 32,294

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
Other	-	-	-	-
	$ 655,298	$ -	$ 201,000	$ 856,298

During the year, the Corporation sold its level 3 investment for $199,950 and recorded a change in foreign exchange of $1,050.

(In Canadian Dollars)

11. Operating, general and administrative expenses

	2016	2015
Legal fees and disbursements	$ 49,960	$ 135,560
Accounting	45,257	41,450
Transfer agent	10,729	15,427
Regulatory fees	5,876	7,120
Rent	-	5,524
Management fee	2,725	17,056
Sharebased Compensation	39,922	-
Office	8,928	11,143
Travel	2,840	45,923
	$ 166,237	$ 279,203

12. Income Taxes

Deferred taxes are calculated 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 the following deductible temporary differences:

	September 30, 2016	September 30, 2015
Non-capital losses carried forward	$ 611,553	$ 493,170
Investments at fair values	978,878	440,379
Share issue costs	21,197	10,446
	$ 1,611,628	$ 943,995

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 Corporation 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, 2016 the Corporation had Canadian non-capital loss carry forwards which may be available to offset future year's taxable income. The losses expire as follows:

2034	$ 271,814
2035	221,356
2036	118,383
	$ 611,553