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

PROSPECT PARK CAPITAL CORP.

THREE MONTHS ENDED DECEMBER 31, 2016 AND 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)

	As at December 31, 2016	As at September 30, 2016
Assets		
Cash and cash equivalents	$ 41,322	$ 47,254
Investments at fair value (notes 3 and 9)	22,875	32,294
Loan receivable (note 4)	83,385	82,293
Interest receivable	12,351	10,213
	$ 159,933	$ 172,054
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities (notes 3 and 8)	$ 396,839	$ 388,359
Sharesholders' equity:		
Share capital (note 5)	1,340,562	1,340,562
Reserves (notes 6)	210,047	210,047
Deficit	(1,787,515)	(1,766,914)
	(236,906)	(216,305)
	$ 159,933	$ 172,054

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Loss and Comprehensive Loss (unaudited)

For the three months ended December 31, 2016 and December 31, 2015

		2016		2015
Net investment gains (losses)				
Gain on sale of investments	$	-	$	23,406
Gain (loss) on foreign exchange		1,092		7,632
Net change in unrealized loss on investments		(9,419)		(31,757)
Net investment (losses) gains		(8,327)		(719)
Other income		2,138		3,135
		(6,189)		2,416
Expenses:				
Operating, general and administrative (note 10)		14,412		18,657
Net loss and comprehensive loss	$	(20,601)	$	(16,241)
Loss per common share - basic and diluted (note 8)	$	(0.00)	$	(0.00)
Weighted average number of shares outstanding - basic and diluted (note 8)		8,676,260		8,604,789

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed interim Statements of Changes in Shareholders' Equity

For the three months ended December 31, 2016 and December 31, 2015

	Share capital	Reserves: Warrants	Reserves: Contributed surplus	Deficit	Total
Balance, September 30, 2015	$ 1,340,562	$ -	$ 170,125	$ (1,085,381)	$ 425,306
Net loss and comprehensive loss for the period	-	-	-	(16,241)	(16,241)
Balance, December 31, 2015	$ 1,340,562	$ -	$ 170,125	$ (1,101,622)	$ 409,065
Balance, September 30, 2016	$ 1,340,562	$ -	$ 210,047	$ (1,766,914)	$ (216,305)
Net loss and comprehensive loss for the period	-	-	-	(20,601)	(20,601)
Balance, December 31, 2016	$ 1,340,562	$ -	$ 210,047	$ (1,787,515)	$ (236,906)

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Cash Flows

For the three months ended December 31, 2016 and December 31, 2015

		2016		2015
Cash provided by (used in):				
Operating activities:				
Operating loss	$	(20,601)	$	(16,241)
Change in non-cash operating items:				
Net change in unrealized gain		9,419		31,757
Gain on sale of investments		-		(23,406)
Interest accrued		(2,138)		(3,100)
Change in non-cash working capital:				
Accounts receivable		(1,092)		-
Accounts payable and accrued liabilities		8,482		(28,636)
Net cash used in operating activities		(5,932)		(39,626)
Investing activities				
Loan advance		-		(18,786)
Purchase of investments		-		(26,911)
Proceeds on sale of investment		-		291,865
Interest received		-		15,960
Net cash used in investing activities		-		262,128
Increase (decrease) in cash and cash equivalents		(5,932)		222,502
Cash and cash equivalents, beginning of period		47,254		36,564
Cash and cash equivalents, end of period	$	41,322	$	259,066

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.

The Corporation is as an investment corporation focused on public healthcare and trades under the symbol "PPK " on the T Venture Exchange. .

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 $236,906 as at December 31, 2016, (September 30, 2016 – $209,883). 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 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 2 of the annual financial statements as at and for the year ended September 30, 2016. Accordingly, these interim financial statements for the three month period ended December 31, 2016 and 2015 should be read together with the annual financial statements as at and for the year ended September 30, 2016.

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 February 27, 2017.

2. Significant Accounting Policies (continued)

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 (the Corporation is related due to Dr. Samuel Herschkowitz, one of the directors and officers of the Corporation, being the manager of IOI.), 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%.

Skyline Medical Inc.

As at December 31, 2016 the Corporation owned 5,818 (September 30, 2016 - 5,818 (145,428 pre-consolidation)) shares of Skyline, with a cost of $982,128 (September 30, 2016 - $982,128) and a fair market value of $21,875 (September 30, 2016 - $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 7), 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 December 31, 2016, $83,385 (US$62,750) (September 30, 2016 - $82,293 (US$62,750)) has been advanced as part of the loan and $12,351 (September 30, 2016 - $10,213) 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, December 31, 2016 and September 30, 2016	**8,676,260**	**$ 1,340,562**

6. 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 December 31, 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	6.24	737,191	737,191	-
July 20, 2026	0.05	9.56	998,061	998,061	-

Weighted average remaining contractual life of 8.13 years. Weighted average exercise price of $0.11.

7. 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 three months ended December 31, 2016 and December 31, 2015, key management earned $6,000 (2015 - $6,000).

7. Related Party Transactions (continued)

(i) During the quarter, the Corporation was charged $6,000 (2015 - $6,000) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at September 30, 2016, $25,640 (September 30, 2016 - $18,860) is included in accounts payable and accrued liabilities.

(ii) During the quarter, the Corporation incurred expenditures of $1,530, (2015 - $510) 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 December 31, 2016 accounts payable and accrued liabilities is $172,615 (September, 30, 2016 - $171,085) 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 month ended December 31, 2016, the Corporation was charged $nil (three months ended December 31, 2015 - $2,087) in Management Fees. As at December 31, 2016, $1,404 (September, 30, 2016 - $1,404) of management fees were included in accounts payable and accrued liabilities.

Joshua Kornberg (a director of the Corporation) and Dr. Samuel Herschkowitz (a director and officer of the Corporation) 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 three months ended December 31, 2016 and 2015, no performance fees were earned.

(v) During fiscal 2016, the Corporation executed the SOK Amending Agreement (see note 3 to the Corporation’s audited financial statements for the year ended September 30, 2016). 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 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 managing members of ATF. Mr. Kornberg’s spouse is also an officer of ATF.

8. 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.

9. 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.

(e) Currency Risk:

9. Financial Instruments (continued)

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.

December 31, 2016						
		Exposure			**Impact on net assets**	
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 9,653	$ 17,291	$ 26,944	$ 97	$ 172	$ 269

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

As at December 31, 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% ($269).

(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)

9. 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	$ 21,875	$ -	$ -	$ 21,875
Other	1,000	-	-	1,000
	$ 22,875	$ -	$ -	$ 22,875

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

(In Canadian Dollars)

10. Operating, general and administrative expenses

	Three months ended December 31,	
	2016	2015
Legal fees and disbursements	$ 1,530	$ 508
Accounting and audit	10,780	11,498
Transfer agent	924	1,579
Management fee	-	2,087
Office	1,178	145
Travel	-	2,840
	$ 14,412	$ 18,657

11. Subsequent event

On February 6, 2017, the Corporation issued 1,142,857 common shares to SOK pursuant to a share purchase agreement dated August 28, 2014 with the Corporation, as amended on April 29, 2016.