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

PROSPECT PARK CAPITAL CORP.

Three months ended December 31, 2018

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, 2018 and September 30, 2018

	December 31 2018	September 30 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 4,623	$ 4,715
Investments at fair value (notes 3)	5,012	8,048
Loan receivable (note 4)	81,976	81,976
Interest receivable (note 4)	34,378	31,898
	$ 125,989	$ 126,637
Liabilities and Shareholders' Equity		
Liabilities:		
Accounts payable and accrued liabilities (note 7)	$ 212,520	$ 211,483
Shareholders' equity:		
Share capital (note 5)	1,363,419	1,363,419
Reserves	364,228	364,228
Deficit	(1,814,178)	(1,812,493)
	(86,531)	(84,846)
	$ 125,989	$ 126,637

Going concern (note 1)

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)

Condensed Interim Statements of Income (Loss) and Comprehensive Income (Loss) (unaudited)

For the three months ended December 31, 2018 and December 31, 2017

	2018	2017
Net investment gains (losses)		
Net change in unrealized loss on investments	$ (3,036)	$ (3,108)
Net investment (losses)	(3,036)	(3,108)
Other income	2,480	63,341
	(556)	60,233
Expenses:		
Operating, general and administrative (note 10)	1,129	24,248
Net income (loss) and comprehensive income (loss)	$ (1,685)	$35,984
Income (loss) per common share - basic and diluted (note 8)	$ (0.00)	$ 0.00
Weighted average number of shares outstanding - basic (note 8)	9,819,117	9,819,117
Weighted average number of shares outstanding - diluted (note 8)	9,819,117	11,415,402

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

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

For the three months ended December 31, 2018 and December 31, 2017

	Share capital	Reserves Contributed surplus	Deficit	Total
Balance, September 30, 2017	$ 1,363,419	$ 364,228	$ (1,891,524)	$ (163,877)
Net loss for the period	-	-	35,985	35,985
Balance, December 31, 2017	$ 1,363,419	$ 364,228	$ (1,855,539)	$ (127,892)
Balance, September 30, 2018	$ 1,363,419	$ 364,228	$ (1,812,493)	$ (84,846)
Net income for the period	-	-	(1,685)	(1,685)
Balance, December 31, 2018	$ 1,363,419	$ 364,228	$ (1,814,178)	$ (86,531)

See accompanying notes to financial statements.

PROSPECT PARK CAPITAL CORP.

(In Canadian dollars)

Condensed Interim Statements of Cash Flows (unaudited)

For the three months ended December 31, 2018 and December 31, 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Operating income (loss)	$ (1,685)	$ 35,985
Change in non-cash operating items:		
Net change in unrealized loss	3,036	3,108
Interest accrued	(2,480)	(2,463)
Change in non-cash working capital:		
Accounts payable and accrued liabilities	1,037	(41,830)
Net cash used in operating activities	(92)	(5,200)
Decrease in cash and cash equivalents	(92)	(5,200)
Cash and cash equivalents, beginning of period	4,715	22,568
Cash and cash equivalents, end of period	$ 4,623	$ 17,368
Supplemental information		
	$ -	$ -

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 600-100 King St W, Toronto, Ontario M5X 2A2. 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".

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 has negative operating cash flows during the year and has working capital deficit of $86,531 as at December 31, 2018 (September 30, 2018 – deficit of $84,846). 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, 2018. Accordingly, these interim financial statements for the three-month period ended December 31, 2018 and 2017 should be read together with the annual financial statements as at and for the year ended September 30, 2018.

2. Significant Accounting Policies (continued)

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 28, 2019.

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 became effective for accounting periods beginning on January 1, 2018.

(ii) IFRS 16 – Leases – The standard was issued by the IASB on January 13, 2016, and will replace IAS 17, "Leases". IFRS 16 will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The new standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. The Corporation is assessing the impact of this standard on the Corporation's financial statements.

(iii) IFRS 2 Share based payments, the amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. IFRS 2 became effective for accounting periods beginning on January 1, 2018.

3. Investments

As at December 31, 2018 the Corporation owned 5,818 (September 30, 2018 - 5,818) shares of Precision Therapeutics Inc., with a cost of $982,128 (September 30, 2018 - $982,128) and a fair market value of $5,012 (September 30, 2018 - $8,048).

4. Loan Receivable

Pursuant to a credit agreement dated February 26, 2015, as amended on April 27, 2016, and May 25, 2017, 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"), at an annual interest rate of twelve per cent (12%) per annum (calculated annually on the basis of a 365 day calendar year). The loan previously matured on February 28, 2017. On May 25, 2017, the credit agreement was further amended to extend the maturity date to December 31, 2018.

As at December 31, 2018, $81,976 (US$62,750) (September 30, 2018 - $81,976 (US$62,750)) has been advanced as part of the loan and $34,378 (September 30, 2018 - $31,898) 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, 2018 and December 31, 2018	**9,819,117**	**$ 1,363,419**

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 1,963,823 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.

The following table reflects the actual stock options issued and outstanding as of September 30, 2018:

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	4.25	598,224	598,224	-
July 20, 2026	0.05	7.56	998,061	998,061	-

The options outstanding have a weighted average remaining contractual life of 6.31 years and a 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 period, key management earned $6,780 (three months ended December 31, 2017 - $6,780) in remuneration (Note 7(i).

(i) During the period, the Corporation was charged $6,780 (three months ended December 31, 2017 - $6,780) by CFO Advantage Inc., a company owned by Kyle Appleby, the Chief Financial Officer of the Corporation. As at December 31, 2018, $70,880 (September 30, 2018 - $64,100) is included in accounts payable and accrued liabilities.

(ii) During the period, the Corporation was charged $nil (three months ended December 31, 2017 - $nil) by DLA Piper (Canada) LLP ("DLA") for legal services. Robbie Grossman is a partner of DLA and an officer and director of the Corporation. Included in the December 31, 2018 accounts payable and accrued liabilities is $1,944 (September 30, 2018 - $1,944) due to DLA.

7. Related Party Transactions (continued)

(iii) Management fee – Prospect Park Management Limited Partnership (the "Manager") is entitled to 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 period ended December 31, 2018 the Corporation was charged $nil (three months ended December 31, 2017 - $nil) in Management Fees. As at December 31, 2018, $1,404 (September 30, 2018 - $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, 2018 and December 31, 2017, no performance fees were earned.

(v) The Corporation is party to a credit agreement with ATF to loan ATF up to US$100,000 (see note 4). As of December 31, 2018, $34,378 (September 30, 2018 - $31,898) has been included in interest receivable and $81,976 (September 30, 2018 - $81,976) has been included in principal receivable relating to this agreement. 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 the three months ended December 31, 2018 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.

9. Financial Instruments (continued)

Loan receivable consists of a loan from a related party. During the prior year, the repayment terms of the loan was extended by a year and 10 months. The loan was assessed for impairment at September 30, 2018. Total exposure to credit risk is $116,354, which comprised of the total interest and principal receivable from the related party (2018 -$113,874).

(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, 2018						
		Exposure		**Impact on net assets**		
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 1,705	$ 6,165	$ 7,870	$ 17	$ 62	$ 79

December 31, 2018						
		Exposure		**Impact on net assets**		
Currency	Cash	Investments	Total	Cash	Investments	Total
United States Dollar	$ 1,705	$ 3,714	$ 5,419	$ 17	$ 37	$ 54

9. Financial Instruments (continued)

As at December 31, 2018, 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% ($54) (September 30, 2018 – $(79).

(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 publicly 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.

(In Canadian Dollars)

9. Financial Instruments (continued)

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, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investment in Skyline	$ 8,048	$ -	$ -	$ 8,048
Cash	4,715	-	-	4,715
	$ 12,763	$ -	$ -	$ 12,763

December 31, 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Investment in Skyline	$ 5,012	$ -	$ -	$ 5,012
Cash	4,623	-	-	4,623
	$ 9,635	$ -	$ -	$ 9,635

10. Operating, general and administrative expenses

Three months ended December 31,	2018	2017
Legal fees and disbursements	$ -	$ 9,500
Accounting and audit	255	11,780
Transfer agent	783	2,570
Office	91	3,98
	$ 1,129	$ 24,248