



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND SIX MONTHS ENDED JUNE 30, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Urbanfund Corp.

The accompanying unaudited interim condensed consolidated financial statements of Urbanfund Corp. (the "Company" or "Urbanfund") are the responsibility of management and have been approved by the Board of Directors of the Company.

The unaudited interim condensed consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards, as disclosed in the notes to the unaudited interim condensed consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the consolidated balance sheets date. In the opinion of management, the consolidated financial statements have been prepared with acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with the established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

NOTICE TO READER

Under *National Instrument 51-102, Part 4, subsection 4.3(3)(a)*, if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an independent auditor. The accompanying unaudited interim condensed consolidated financial statements of Urbanfund have been prepared by and are the responsibility of management.

Urbanfund's independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada.

Mitchell Cohen
President, Chief Executive Officer and Director

Thomas Kofman
Director

Toronto, Ontario
August 22, 2018

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(In Canadian dollars)
(Unaudited)

As at	Note	June 30, 2018	December 31, 2017
Assets			
Investment properties	5	\$ 55,745,762	\$ 61,427,685
Equity accounted investment	6	7,865,618	7,679,397
Inventory properties	7	2,606,643	2,474,335
Assets held for sale	4	7,944,674	3,556,220
Marketable securities	8	537,064	446,825
Income taxes recoverable		167,915	-
Receivables and other assets	9	789,090	745,380
Cash		7,912,389	8,002,475
Total assets		\$ 83,569,155	\$ 84,332,317
Liabilities			
Mortgages payable	10	\$ 28,764,261	\$ 34,528,600
Deferred tax liabilities		5,280,000	4,910,000
Tenant deposits		187,490	181,678
Liabilities associated with assets held for sale	4	4,651,438	1,836,652
Income taxes payable		-	1,556,520
Accounts payable and accrued liabilities	14	1,280,952	689,291
Total liabilities		40,164,141	43,702,741
Equity			
Common shares		10,504,464	10,291,325
Preferred shares		1,113,750	1,113,750
Retained earnings		30,323,558	27,759,099
Total shareholders' equity		41,941,772	39,164,174
Non-controlling interests		1,463,242	1,465,402
Total equity		43,405,014	40,629,576
Total liabilities and equity		\$ 83,569,155	\$ 84,332,317
Contingencies and commitments	21		
Events after the balance sheet date	22		
Approved by the Board of Directors:			
<u>Mitchell Cohen</u>		<u>Thomas Kofman</u>	
Director		Director	

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In Canadian dollars, except per unit amounts)
(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Revenue					
Rental revenue	13	\$ 1,426,298	\$ 1,406,358	\$ 2,837,984	\$ 2,811,250
Inventory property sales	4	908,835	-	5,138,363	-
		2,335,133	1,406,358	7,976,347	2,811,250
Operating costs					
Rental expenses	14	607,531	729,162	1,352,024	1,457,051
Inventory property cost of sales	4	655,472	-	3,564,141	-
		1,263,003	729,162	4,916,165	1,457,051
Operating income		1,072,130	677,196	3,060,182	1,354,199
Other income					
Profit from investment in real estate project		-	1,666,667	500,000	1,666,667
Income from equity accounted investment	6, 14	98,527	-	186,221	-
Interest income		34,858	52,885	57,881	67,939
Fair value adjustment on marketable securities		10,959	47,265	80,060	71,841
Fair value adjustment on investment properties	5	762,300	-	980,651	-
		906,644	1,766,817	1,804,813	1,806,447
Other expenses					
Financing costs		355,189	250,961	620,159	491,589
General and administrative costs		68,956	65,653	253,603	125,700
Fair value adjustment on investment properties	5	-	56,055	-	80,534
		424,145	372,669	873,762	697,823
Income before taxes		1,554,629	2,071,344	3,991,233	2,462,823
Current income tax expense		115,000	190,000	593,000	190,000
Deferred income tax expense		29,000	106,000	370,000	71,000
		144,000	296,000	963,000	261,000
Net income and comprehensive income		\$ 1,410,629	\$ 1,775,344	\$ 3,028,233	\$ 2,201,823
Net income (loss) attributable to:					
Shareholders		\$ 1,412,797	\$ 1,772,792	\$ 3,030,393	\$ 2,190,919
Non-controlling interests		(2,160)	2,552	(2,160)	10,904
		\$ 1,410,637	\$ 1,775,344	\$ 3,028,233	\$ 2,201,823
Net income per share attributable to shareholders:					
Basic income per share	11	\$ 0.031	\$ 0.040	\$ 0.067	\$ 0.049
Diluted income per share	11	\$ 0.027	\$ 0.034	\$ 0.057	\$ 0.042

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANFUND CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Canadian dollars, except per share amounts)
(Unaudited)

	Note	Common equity		Preferred equity		Retained earnings	Non-controlling interests	Total equity
		Number of shares	Share capital	Number of shares	Share capital			
Balance, December 31, 2016		44,460,794	\$ 9,975,645	7,425,000	\$ 1,113,750	\$ 20,839,468	\$ 1,126,686	\$ 33,055,549
Changes during the year:								
Additional contributions to limited partnerships		-	-	-	-	-	317,117	317,117
Net income and comprehensive income		-	-	-	-	2,190,919	10,904	2,201,823
Dividends paid		-	-	-	-	(12,442)	-	(12,442)
Dividends payable		-	-	-	-	(130,328)	-	(130,328)
Dividend reinvestment plan	12	245,431	104,949	-	-	(52,574)	-	52,375
Balance, June 30, 2017		44,706,225	\$ 10,080,594	7,425,000	\$ 1,113,750	\$ 22,835,043	\$ 1,454,707	\$ 35,484,094

	Note	Common equity		Preferred equity		Retained earnings	Non-controlling interests	Total equity
		Number of shares	Share capital	Number of shares	Share capital			
Balance, December 31, 2017		45,098,140	\$ 10,291,325	7,425,000	\$ 1,113,750	\$ 27,759,099	\$ 1,465,402	\$ 40,629,576
Changes during the year:								
Net income (loss) and comprehensive income (loss)		-	-	-	-	3,030,393	(2,160)	3,028,233
Dividends paid		-	-	-	-	(25,529)	-	(25,529)
Dividends payable		-	-	-	-	(227,266)	-	(227,266)
Dividend reinvestment plan	12	355,120	213,139	-	-	(213,139)	-	-
Balance, June 30, 2018		45,453,260	\$ 10,504,464	7,425,000	\$ 1,113,750	\$ 30,323,558	\$ 1,463,242	\$ 43,405,014

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)
(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2018	2017	2018	2017
Operating activities					
Net income and comprehensive income		\$ 1,410,629	\$ 1,775,344	\$ 3,028,233	\$ 2,201,823
<i>Items not affecting cash:</i>					
Income from equity accounted investment	6	(98,531)	-	(186,221)	-
Interest and dividend income		(34,858)	(52,885)	(57,881)	(67,939)
Fair value adjustment on marketable securities		(10,959)	(47,265)	(80,060)	(71,841)
Fair value adjustment on investment properties	5	(762,300)	56,055	(980,651)	80,534
Deferred income tax expense		29,000	106,000	370,000	71,000
Net issuance of common shares		(106,211)	(52,573)	(213,139)	(104,949)
Adjustments for other non-cash working capital items	20	(1,016,123)	494,742	2,267,868	241,435
Cash provided by (used in) operating activities		(589,353)	2,279,418	4,148,149	2,350,063
Investing activities					
Construction expenditures to properties under development	5	(108,316)	(439,715)	(164,884)	(648,032)
Capital expenditures on income properties	5	(638,700)	(56,055)	(640,349)	(80,534)
Acquisition of investment property	5	-	(2,100,000)	-	(2,100,000)
Construction expenditures to inventory properties	7	(235,174)	-	(377,183)	-
Repayment of investment in real estate project		-	1,677,333	-	1,677,333
Advances to private company		-	125,000	-	-
Cash used in investing activities		(982,190)	(793,437)	(1,182,416)	(1,151,233)
Financing activities					
Repayments of mortgage principal		(905,914)	(259,453)	(2,980,381)	(530,649)
Dividends paid		(24,380)	(12,443)	(75,438)	(12,442)
Cash used in financing activities		(930,294)	(271,896)	(3,055,819)	(543,091)
Net change in cash		(2,501,837)	1,214,085	(90,086)	655,739
Cash, beginning of period		10,414,226	7,404,286	8,002,475	7,962,632
Cash, end of period		\$ 7,912,389	\$ 8,618,371	\$ 7,912,389	\$ 8,618,371
Supplemental cash flow information	19				

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

1. GENERAL INFORMATION

Urbanfund Corp. and its consolidated subsidiaries (collectively, "Urbanfund" or the "Company") own, develop and operate a real estate portfolio focused on a mix of both residential and commercial properties. Urbanfund also actively focuses on identifying real estate related projects. The parent company, Urbanfund Corp., was incorporated on February 4, 1997, pursuant to the provisions of the Business Corporations Act of Alberta. In 2003, the Company filed articles of continuance, allowing operations to continue under the laws of the Province of Ontario, Canada. The Company's corporate headquarters and registered head office are located at 35 Lesmill Road, Toronto, Ontario, Canada, M3B 2T3.

Urbanfund's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol UFC.

2. BASIS OF PREPARATION

(a) Statement of compliance

Urbanfund's interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Under International Financial Reporting Standards ("IFRS"), additional disclosures are required in annual financial statements, and therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016. These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 22, 2018.

(b) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost method modified to include fair value measurement of investment properties (note 5), marketable securities (note 8) and assets held for sale (note 4), as set out in the relevant accounting policies. The accounting policies set out below have been applied consistently in all material respects. Any IFRS not effective for the current accounting year are described in note 3(b).

(c) Significant judgments, estimates and assumptions

The preparation of Urbanfund's interim condensed consolidated financial statements require management to make judgments, estimates and assumptions that effect the amounts reported. In the process of applying Urbanfund's accounting policies, management was required to apply judgment in certain areas. Estimates and assumptions made by management are based on events and circumstances that existed at the interim condensed consolidated balance sheet date. Accordingly, actual results may differ from these estimates.

The significant judgments, estimates and assumptions in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

Revenue from Contracts with Customers ("IFRS 15")

The Company adopted IFRS 15 on its effective date of January 1, 2018 using the modified retrospective approach. IFRS 15 replaces IAS 18, *Revenue*. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. The standard requires entities to exercise judgment, taking into consideration all relevant facts and circumstances when applying each step of the model to contracts with customers.

The Company's assessment included a review of the relevant contracts for the following key areas that are in the scope of IFRS 15, common area maintenance recoveries and inventory property sales. The Company has concluded that there are no significant differences in revenue recognition for these revenue streams between the point of transfer of risks and rewards under IAS 18 and the point of transfer of control under IFRS 15. No transitional adjustment has been recorded as at January 1, 2018.

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Changes in accounting policies (Cont'd)

Revenue from Contracts with Customers ("IFRS 15") (Cont'd)

The Company has adopted each of the accounting policies noted below on January 1, 2018:

(i) *Rental revenue*

Rental revenue is generated through operating leases, which create a legally enforceable right to use the underlying asset by the tenant and require Urbanfund to provide other services. Base rent and realty tax recoveries are accounted for pursuant to IAS 17, *Leases* and are therefore outside the scope of IFRS 15.

Common area maintenance ("CAM") recoveries are considered non-lease components and therefore are within the scope of IFRS 15. CAM services are integrated with property management services to the tenants in exchange for CAM recoveries. CAM services are considered to be a single performance obligation delivered to tenants. Urbanfund receives variable consideration for CAM recoveries and recognizes this as revenue over the period those services are provided.

(ii) *Inventory property*

Contracts with customers for inventory property sales include one distinct performance obligation. Revenue is measured at the transaction price agreed under the contract and is recognized when control over the inventory property has been transferred, which is when possession passes to the customer and the customer has the ability to use and obtain substantially all of the benefits of the inventory property.

Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

Under IFRS 9, financial assets are classified on the basis of both the business model in which the assets are managed and the contractual cash flow characteristics of the asset. Financial assets after initial recognition are classified and measured either as: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI") with fair value gains or losses recycled to net income on derecognition; or (iii) fair value through profit and loss ("FVTPL"). Financial liabilities are classified and measured on two categories: (i) amortized cost; or (ii) FVTPL.

Financial assets

The Company's marketable securities were previously classified as fair value through profit and loss were measured at FVTPL, whereby fair value adjustments on marketable securities were recorded in net income. Under IFRS 9, the classification and measurement of marketable securities do not meet the measurement criteria to be held at amortized cost or FVOCI and are measured at FVTPL with fair value adjustments on marketable securities recorded in net income.

Financial liabilities

The Company's mortgages payable and mortgages payable associated with assets held for sale are measured at amortized cost using the effective interest method and remain substantially the same under IFRS 9.

No transitional adjustments have been recorded relating to the Company's adoption of IFRS 9 as at January 1, 2018.

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Changes in accounting policies (Cont'd)

Investment Properties ("IAS 40")

In December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment properties only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of an investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments were applied prospectively by Urbanfund on the effective date of January 1, 2018. There were no changes in the classification of any of Urbanfund's investment properties upon the adoption of these amendments.

(b) Future changes in accounting policies

Leases ("IFRS 16")

IFRS 16 was issued in May 2016. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains substantially unchanged, and the distinction between operating and finance leases is retained. IFRS 16 is effective for the Company's annual periods beginning on or after January 1, 2019, with early adoption permitted. Urbanfund will not be early adopting IFRS 16. The Company does not expect a material impact on the classification of its tenant leases on the adoption of this standard.

4. ASSETS HELD FOR SALE

On April 25, 2018, the Company, through Edvac joint operation, completed the sale of its inventory property. Urbanfund finalized its agreement to sell its investment property and properties under development with an effective closing date of July 16, 2018 (note 22). The Company's proportionate share of the results of assets held for sale are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue				
Rental revenue	\$ 98,133	\$ -	\$ 260,484	\$ -
Inventory property sales	908,835	-	5,138,363	-
	1,006,968	-	5,398,847	-
Operating costs				
Rental expenses	83,638	-	171,315	-
Inventory property cost of sales	655,472	-	3,564,141	-
	739,110	-	3,735,456	-
Operating income	267,858	-	1,663,391	-
Other expenses				
Financing costs	48,289	-	95,991	-
General and administrative costs	-	-	28,160	-
Net income from assets held for sale	\$ 219,569	\$ -	\$ 1,539,240	\$ -

The Company's net cash flows associated with assets held for sale are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Net income from assets held for sale	\$ 258,233	\$ -	\$ 1,539,240	\$ -
Adjustments for net changes in non-cash working capital	(29,410)	-	2,574,873	-
Cash provided by operating activities	228,823	-	4,114,113	-
Construction expenditures to properties under development	-	-	(6,232)	-
Cash used in investing activities	-	-	(6,232)	-
Repayments of mortgage principal	(34,184)	-	(1,850,459)	-
Cash used in financing activities	(34,184)	-	(1,850,459)	-
Net change in cash	\$ 194,639	\$ -	\$ 2,257,422	\$ -

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

4. ASSETS HELD FOR SALE (CONT'D)

As at	Note	June 30, 2018	December 31, 2017
Assets			
Investment properties	5	\$ 7,467,807	\$ -
Inventory properties	7	154,285	3,473,551
Receivables and other assets	9	322,582	82,669
Total assets held for sale		\$ 7,944,674	\$ 3,556,220
Liabilities			
Mortgages payable	10	\$ (4,566,295)	\$ (1,782,338)
Tenant deposits		(31,181)	(16,601)
Accounts payable and accrued liabilities		(53,962)	(37,713)
Total liabilities held for sale		(4,651,438)	(1,836,652)
Net assets		\$ 3,293,236	\$ 1,719,568

5. INVESTMENT PROPERTIES

As at,	June 30, 2018	December 31, 2017
Income properties	\$ 57,851,000	\$ 56,230,000
Properties under development	5,362,569	5,197,685
	\$ 63,213,569	\$ 61,427,685

	Income properties	Properties under development	Total
Balance, January 1, 2018	\$ 56,230,000	\$ 5,197,685	\$ 61,427,685
Development expenditures:			
Capitalized costs		134,415	134,415
Finance costs	-	30,469	30,469
Capital expenditures	640,349	-	640,349
Fair value adjustment on investment properties	980,651	-	980,651
Balance before investment properties held for sale, June 30, 2018	\$ 57,851,000	\$ 5,362,569	\$ 63,213,569
Investment properties held for sale (note 4)	5,961,000	1,506,807	7,467,807
Balance, June 30, 2018	\$ 51,890,000	\$ 3,855,762	\$ 55,745,762

	Income properties	Properties under development	Total
Balance, January 1, 2017	\$ 50,370,000	\$ 5,268,439	\$ 55,638,439
Acquisitions	-	2,100,000	2,100,000
Development expenditures:			
Capitalized costs	-	486,482	486,482
Finance costs	-	30,235	30,235
Capital expenditures	186,247	-	186,247
Transfers, net ⁽ⁱ⁾ (note 7)	-	(2,687,471)	(2,687,471)
Fair value adjustment on investment properties	5,673,753	-	5,673,753
Balance, December 31, 2017	\$ 56,230,000	\$ 5,197,685	\$ 61,427,685

(i) As at December 31, 2017, 11-13 Edvac, Ontario, through Edvac joint operation, met the change in use criteria, as evidenced by the commitment of management to complete the development with a view to sell. The carrying value of the property was transferred to inventory properties.

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

5. INVESTMENT PROPERTIES (CONT'D)

Acquisitions

The following table summarizes the Company's acquisition of investment properties and inventory properties. The fair value of consideration has been allocated to the identifiable assets acquired based on the fair values as at the date of acquisition, as follows:

	4 Alfred Kuehne Brampton, Ontario	51, 55, 59 Scott St. Kitchener, Ontario
Acquisition date	November 10, 2017	April 10, 2017
Net assets acquired:		
Investment properties	\$ -	\$ 2,100,000
Inventory properties (note 7)	2,350,000	-
	\$ 2,350,000	\$ 2,100,000
Consideration funded by way of:		
Cash disbursement	\$ 1,800,000	\$ 2,100,000
Mortgage payable	550,000	-
	\$ 2,350,000	\$ 2,100,000

Valuation methodology

As highlighted in note 15, the fair value methodology of the Company's income properties use inputs that are considered Level 3 because of significant unobservable inputs are required to determine fair value.

As at June 30, 2018 and December 31, 2017, the capitalization rates used in valuing the commercial and residential properties are set out as follows:

	December 31, 2017			June 30, 2018		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.50%	5.50%	5.50%	4.00%	5.30%	4.63%
Residential properties	3.60%	6.50%	4.45%	4.49%	6.25%	5.37%

Sensitivity

The following table is a sensitivity applied to the proportion of the Company's investment properties measured using the direct capitalization approach and therefore is sensitive to the changes in capitalization rates.

	Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2017:			
Capitalization rate, decrease, 0.25%	\$ 1,471,800	\$ 1,863,600	\$ 2,254,400
Capitalization rate, as reported	(441,200)	-	301,700
Capitalization rate, increase, 0.25%	(2,168,700)	(1,814,200)	(1,460,900)
As at June 30, 2018:			
Capitalization rate, decrease, 0.25%	\$ 2,368,400	\$ 2,941,000	\$ 3,511,400
Capitalization rate, as reported	(629,500)	-	450,800
Capitalization rate, increase, 0.25%	(3,322,500)	(2,807,600)	(2,294,100)

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(In Canadian dollars, except per share amounts)
(Unaudited)

6. EQUITY ACCOUNTED INVESTMENT

The following details the Company's ownership in its equity accounted investment:

As at		June 30, 2018	December 31, 2017
Equity investee	Principal activity		
Highfield Park Residential Inc.	Owns and operates investment properties	20%	20%

The following table shows the changes in the aggregate carrying value of Urbanfund's equity accounted investment:

As at	June 30, 2018	December 31, 2017
Balance, beginning of period (year)	\$ 7,679,397	\$ -
Contributions	-	7,569,980
Share of net income	186,221	109,417
Balance, end of period (year)	\$ 7,865,618	\$ 7,679,397

The following tables presents the financial position of Urbanfund's equity accounted investee on a 100% basis:

As at	June 30, 2018	December 31, 2017
Current assets	\$ 2,057,072	\$ 1,568,280
Non-current assets	114,912,354	114,269,590
Current liabilities	(1,505,150)	(1,269,498)
Non-current liabilities	(76,136,185)	(76,171,386)
Net assets	39,328,091	38,396,986
Equity accounted investment	\$ 7,865,618	\$ 7,679,397

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 3,210,438	\$ -	\$ 6,251,287	\$ -
Operating expenses	(1,822,376)	-	(3,552,341)	-
Interest expense	(717,803)	-	(1,432,138)	-
Net income before taxes	670,259	-	1,266,808	-
Income taxes	(177,624)	-	(335,704)	-
Net income	492,635	-	931,104	-
Income from equity accounted investment	\$ 98,527	\$ -	\$ 186,221	\$ -

7. INVENTORY PROPERTIES

The following table shows the changes in the aggregate carrying value of Urbanfund's inventory property:

As at	June 30, 2018	December 31, 2017
Balance, beginning of period (year)	\$ 5,947,886	\$ -
Transfers (note 5)	-	2,687,471
Acquisition of inventory properties (note 5)	-	2,350,000
Development expenditures	377,183	910,415
Disposition of inventory properties	(3,564,141)	-
Balance, end of period (year)	\$ 2,760,928	\$ 5,947,886
Inventory properties	2,606,643	2,474,335
Inventory properties held for sale (note 4)	154,285	3,473,551
	\$ 2,760,928	\$ 5,947,886

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8. MARKETABLE SECURITIES

The following table summarizes the cost and fair value of Urbanfund's marketable securities:

As at	June 30, 2018	December 31, 2017
Cost	\$ 353,427	\$ 353,427
Fair value	537,064	446,825

9. RECEIVABLES AND OTHER ASSETS

The following table details Urbanfund's receivables and other assets:

As at	June 30, 2018	December 31, 2017
Accounts receivable	\$ 464,716	\$ 344,597
Investment in private company (2,083,333 common shares, 1,041,666 purchase warrants) ⁽ⁱ⁾	250,000	250,000
Amounts receivable (note 14)	128,944	117,008
Prepaid expenses	245,824	89,256
Deposits	22,188	27,188
	\$ 1,111,672	\$ 828,049
Receivables and other assets	789,090	745,380
Receivables and other assets held for sale (note 4)	322,582	82,669
	\$ 1,111,672	\$ 828,049

(i) For the six months ended June 30, 2018, Urbanfund recognized \$nil of interest income relating to the loan included in interest and dividend income in the consolidated statements of income and comprehensive income (Six months ended June 30, 2017 - \$18,833).

10. MORTGAGES PAYABLE

As at	June 30, 2018	December 31, 2017
Current	\$ 1,240,586	\$ 7,255,927
Non-current	32,089,970	29,055,011
	\$ 33,330,556	\$ 36,310,938

As at	June 30, 2018	December 31, 2017
Mortgages payable	\$ 28,764,261	\$ 34,528,600
Mortgages payable on assets held for sale (note 4)	4,566,295	1,782,338
	\$ 33,330,556	\$ 36,310,938

Mortgages payable are secured by investment properties and bear interest at various fixed rates with payment terms either monthly blended principal and interest payments ("MBPI") or interest only ("IO").

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10. MORTGAGES PAYABLE (CONT'D)

As at				June 30, 2018	December 31, 2017
Property name(s)	Payment Terms	Maturity Date	Interest Rate		
3080-3094 Don Mills & 200 Van Horne	MBPI	Mar 1, 2025	2.52%	\$ 11,117,040	\$ 11,307,263
305 North Front Centre	MBPI	Oct 5, 2022	3.95%	9,987,983	10,110,164
476-480 Wonderland Road	MBPI	Jun 5, 2023	3.86%	1,190,385	1,218,683
Quebec Headway, Vendor Take Back	MBPI	May 1, 2023	4.50%	2,531,119	2,590,235
Quebec Headway, Assumed Mortgages	MBPI	(i)	(i)	2,626,845	2,762,580
48 Weber Street & 65 Roy Street	MBPI	Oct 1, 2023	2.92%	4,576,720	4,644,841
59 Weber Street	IO	(iii)	6.50%	-	625,000
11-13 Edvac Drive	IO	(ii)	6.00%	-	1,782,338
4 Alfred Kuhne Boulevard	IO	Dec 1, 2019	5.50%	1,543,750	1,543,750
Mortgages payable				\$ 33,573,842	\$ 36,584,854

- (i) Quebec Headway assumed mortgages payable are made up of 10 mortgages outstanding on the income properties of Quebec Headway. The weighted average remaining life is 9.59 years (December 31, 2017 - 6.45 years) and bear a weighted average interest rate of 3.26% (December 31, 2017 - 3.26%).
- (ii) During the six month period ended June 30, 2018 and subsequent to the sale of 11-13 Edvac inventory property (note 4), the mortgage payable of \$1,782,338 was repaid in full.
- (iii) During the six month period ended June 30, 2018 the mortgage payable related to 59 Weber Street was extinguished.

Minimum principal payments over the following years are as follows:

Remainder of 2018	\$ 601,177
2019	1,180,145
2020	1,216,431
2021	1,170,580
2022	9,955,410
Thereafter	19,450,099
	33,573,842
Unamortized mortgage financing costs	(243,286)
	\$ 33,330,556

11. EQUITY

Basic and diluted income per share has been calculated as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Basic income per share				
Net income attributable to shareholders	\$ 1,412,797	\$ 1,772,792	\$ 3,030,393	\$ 2,190,919
Weighted average common shares outstanding	45,453,260	44,568,047	45,332,561	44,625,775
Basic income per share	\$ 0.031	\$ 0.040	\$ 0.067	\$ 0.049
Diluted income per share				
Net income attributable to shareholders	\$ 1,412,797	\$ 1,772,792	\$ 3,030,393	\$ 2,190,919
Weighted average common shares outstanding	45,453,260	44,568,047	45,332,561	44,625,775
Dilutive effect of preferred shares	7,425,000	7,245,000	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	52,878,260	51,813,047	52,757,561	52,050,775
Diluted income per share	\$ 0.027	\$ 0.034	\$ 0.057	\$ 0.042

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12. DIVIDEND REINVESTMENT PLAN

On June 17, 2015, Urbanfund adopted a dividend policy and dividend reinvestment plan for the holders of common shares and Series A preferred shares (the "DRIP"). The Company has reserved an aggregate of 2,000,000 common shares for issuance to participants in the DRIP. On June 13, 2018, Urbanfund received TSX-V approval to increase the number of common shares reserved for issuance pursuant thereto. As at June 30, 2018, the maximum number of additional shares that may be reserved for issuance pursuant to the drive was 2,272,663. For the six months ended June 30, 2018, Urbanfund issued 355,120 common shares valued at \$213,139 to participants enrolled in the DRIP (Six months ended June 30, 2017 – 245,431 and \$104,979).

13. RENTAL REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Base rent	\$ 1,134,550	\$ 1,085,766	\$ 2,336,763	\$ 2,249,729
Realty tax recoveries	85,252	106,546	224,423	209,935
Common area maintenance recoveries	157,195	140,942	214,237	187,162
Percentage rent	45,901	33,423	50,504	38,558
Miscellaneous revenue	3,400	39,681	12,057	125,866
	\$ 1,426,298	\$ 1,406,358	\$ 2,837,984	\$ 2,811,250

14. RELATED PARTY BALANCES AND TRANSACTIONS

Included in amounts receivable within receivables and other assets (note 9) is \$128,944 (December 31, 2017 - \$117,008) of amounts due from a corporation that is also a shareholder of the Company.

Urbanfund is also contracted to this shareholder for property management fees and cost reimbursements as follows:

As at	June 30, 2018	December 31, 2017
<i>Property management fees, included in:</i>		
Accounts payable and accrued liabilities	\$ 24,314	\$ 25,727
<i>Management cost reimbursements, included in:</i>		
Accounts payable and accrued liabilities	\$ 20,045	\$ 21,404

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
<i>Property management fees, included in:</i>				
Rental expenses	\$ 12,750	\$ -	\$ 45,553	\$ 25,172
Income from equity accounted investment, net	22,094	-	43,010	-
<i>Management cost reimbursements, included in:</i>				
Rental expenses	\$ 62,462	\$ -	\$ 127,719	\$ 54,405
Income from equity accounted investment, net	54,551	-	103,907	-

The marketable securities owned by Urbanfund are held at a brokerage that is partially owned, directly or indirectly, by common shareholders who are also directors of the Company. At June 30, 2018, there was \$374,437 (December 31, 2017 - \$369,429) in cash held by the brokerage, in addition to the marketable securities disclosed in note 8. There has been no compensation paid to key management personnel during the periods ended June 30, 2018 and 2017.

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15. FAIR VALUE MEASUREMENT

The fair value hierarchy of assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated balance sheets are as follows:

As at	June 30, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets measured at fair value:</i>						
Cash and cash equivalents	\$ 7,912,389	\$ -	\$ -	\$ 8,002,475	\$ -	\$ -
Marketable securities (note 8)	537,064	-	-	446,825	-	-
Income properties (note 5)	-	-	57,851,000	-	-	56,230,000
Total assets measured at fair value	\$ 8,449,453	\$ -	\$ 57,851,000	\$ 8,449,300	\$ -	\$ 56,230,000

For assets measured at fair value as at June 30, 2018 and December 31, 2017, there were no transfers between Level 1, Level 2 and Level 3.

Receivables and other assets, tenant deposits, accounts payable and accrued liabilities

The carrying value of receivables and other assets, tenant deposits, accounts payable and accrued liabilities are considered to be representative of their fair values due to their short-term nature.

Investment in private company

The fair value of the investment in private company included in receivables and other assets (note 9) are not reasonably determinable, as there is no active market for the investments, therefore are recorded at cost.

Mortgages payable

The fair value of the mortgages payable are Level 2 and approximate \$33,500,000 (December 31, 2017 - \$36,000,000) based on the interest rates obtainable for similar financial instruments in the current market place.

The following table outlines the financial assets and liabilities, their classification and measurement of those values:

As at	Classification	Measurement	June 30, 2018	December 31, 2017
<i>Financial assets:</i>				
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 7,912,389	\$ 8,002,475
Receivables and other assets	Loans and receivables	Amortized cost	861,672	578,049
Common shares	Available-for-sale	Cost	250,000	250,000
Purchase warrants	Fair value through profit and loss	Fair value	-	-
Marketable securities	Fair value through profit and loss	Fair value	537,064	446,825
<i>Financial liabilities:</i>				
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	1,334,914	727,004
Tenant deposits	Other liabilities	Amortized cost	218,671	198,279
Mortgages payable	Other liabilities	Amortized cost	33,330,556	36,310,938

16. RISK MANAGEMENT

Financial risk management objectives and policies

The Company's activity exposes it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. These financial risks are managed by the Company under policies approved by the Board of Directors. The principal financial risks are actively managed by the Company's finance department, within Board approved policies and guidelines. On an ongoing basis, the finance department actively monitors market conditions with a view to minimizing the exposure of the Company to changing market factors, while at the same time limiting the funding costs of the Company.

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16. RISK MANAGEMENT (CONT'D)

Interest rate risk

Urbanfund is exposed to interest rate risks on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. The Company's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. A change in the interest rate by 1% would result in an increase or decrease in the fair value of mortgages by \$103,970 (December 31, 2017 - \$123,318).

Credit risk

Credit risk arises from the possibility that Urbanfund's tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. In addition, the Company obtains security deposits from tenants. The Company mitigates its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis.

Since inception, the Company has financed its cash requirements primarily through issuances of securities, short-term borrowings and issuances of long-term debt. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. Financial liabilities are due as follows:

	< 1 year	1-2 years	3-5 years	>5 years
Accounts payable and accrued liabilities	\$ 1,280,952	\$ -	\$ -	\$ -
Mortgages payable	601,177	1,180,145	12,342,421	19,450,099

17. CAPITAL MANAGEMENT

Urbanfund defines capital as its equity. The Company's objective when managing capital is: (i) to safeguard the ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and (ii) to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to the risk. Urbanfund manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt. Urbanfund's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the period ended June 30, 2018 and 2017.

18. SEGMENTED INFORMATION

Urbanfund, primarily owns, develops, manages and operates residential and commercial sector properties in Canada. In measuring its performance of its residential and commercial properties, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly has a single reportable operating segment. Management has applied judgment by aggregating its operating segments into one single reportable segment for disclosure purposes. Such judgment considers the nature of property operations, tenant mix and an expectation that operating segments within a reportable segment have similar long-term economic characteristics. The Company's Chief Executive Officer is the chief operating decision maker and regularly reviews Urbanfund's operations and performance on a consolidated basis. Urbanfund does not have any single major tenant or any significant groups of tenants.

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19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Interest received	\$ 34,858	\$ 12,465	\$ 57,881	\$ 27,519
Interest paid	(326,542)	(85,210)	(572,990)	(272,559)
Dividends paid:				
Dividends declared during the period	\$ (166,900)	\$ (25,184)	\$ (216,809)	\$ (25,467)
Dividends declared in the prior period paid in the current period	(24,380)	(12,474)	(25,529)	(12,190)
Dividends declared in the current period paid in next period	166,900	25,215	166,900	25,215
Dividends paid	\$ (24,380)	\$ (12,443)	\$ (75,438)	\$ (12,442)

The following provides a reconciliation of cash flows arising from financing activities relating to mortgages payable:

	Mortgages payable
Six months ended June 30, 2018	
Balance, beginning of period	\$ 36,584,854
Cash flows	(2,980,381)
Non-cash changes:	
Deferred financing costs	(30,631)
Balance, end of period	\$ 33,573,842

20. ADJUSTMENTS FOR OTHER NON-CASH WORKING CAPITAL ITEMS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Receivables and other assets	\$ 230,822	\$ 178,744	\$ (283,624)	\$ (49,301)
Accounts payable and accrued liabilities	689,391	(98,830)	607,910	(175,937)
Income taxes	(2,178,435)	190,000	(1,724,435)	190,000
Tenant deposits	(446,499)	(7,450)	20,392	(11,456)
Deferred financing costs and other	(175,334)	232,278	83,484	288,129
Inventory properties	863,932	-	3,564,141	-
Net change in other working capital items	\$ (1,016,123)	\$ 494,742	\$ 2,267,868	\$ 241,435

21. CONTINGENCIES AND COMMITMENTS

The Company may have various other contractual obligations in the normal course of operations. The Company is not contingently liable with respect to litigation, claims and environmental matters, including those that could result in mandatory damages or other relief. Any expected settlement of claims in excess of amounts recorded will be charged to the interim condensed consolidated statements of income and comprehensive income as and when such determination is made.

22. EVENTS AFTER THE BALANCE SHEET DATE

On July 16, 2018, Urbanfund, through its limited partnership, Weber Investments LP, sold its 48 Weber Street, 61 Roy Street and 65 Roy Street, Kitchener, Ontario for an aggregate purchase price of \$7,300,000, less closing costs of \$206,225. On the date of closing, Urbanfund extinguished the mortgage payable related to 48 Weber Street and 65 Roy Street of \$4,568,918. The general partner of Weber Investments LP, at its discretion, will distribute net proceeds in accordance with the limited partnership agreement.

On July 24, 2018, Urbanfund received a distribution on the sale of real estate related to the investment in real estate project of \$300,000.

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23. COMPARATIVE BALANCES

The interim condensed consolidated balance sheets have been reclassified to the liquidity method, which is further described in note 2(b) of the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016. The investment in private company has been reclassified to receivables and other assets (note 9). Other comparative amounts presented in these interim condensed consolidated financial statements have been reclassified to conform to the current period's presentation.