



**UNAUDITED INTERIM CONDENSED
CONSOLIDATED FINANCIAL
STATEMENTS**

THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019

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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
November 27, 2019

URBANFUND CORP.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(In Canadian dollars)
(Unaudited)

As at	Note	September 30, 2019	December 31, 2018
Assets			
Investment properties	4	\$ 64,009,507	\$ 57,899,678
Equity accounted investment	5	9,090,493	7,712,410
Inventory properties	6	3,181,794	2,841,320
Marketable securities	7	-	445,060
Income taxes recoverable		163,085	272,915
Receivables and other assets	8	1,454,147	903,484
Cash		8,336,012	9,184,553
Total assets		\$ 86,235,038	\$ 79,259,420
Liabilities			
Mortgages payable	9	\$ 30,645,815	\$ 28,238,845
Deferred tax liabilities		5,509,000	5,196,000
Tenant deposits		152,547	149,350
Accounts payable and accrued liabilities		1,640,274	745,087
Total liabilities		37,947,636	34,329,282
Equity			
Common shares		11,546,432	10,773,071
Preferred shares		1,113,750	1,113,750
Retained earnings		34,336,325	31,752,422
Total shareholders' equity		46,996,507	43,639,243
Non-controlling interests		1,290,895	1,290,895
Total equity		48,287,402	44,930,138
Total liabilities and equity		\$ 86,235,038	\$ 79,259,420
Contingencies and commitments	20		
Subsequent event	21		

Approved by the Board of Directors:

Mitchell Cohen
Director

Thomas Kofman
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 September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Revenue					
Rental revenue	12	\$ 1,281,917	\$ 1,183,605	\$ 3,934,477	\$ 4,021,589
Inventory property sales		-	-	-	5,138,363
		1,281,917	1,183,605	3,934,477	9,159,952
Operating costs					
Rental expenses		729,635	585,260	2,042,733	1,937,284
Inventory property cost of sales		-	163,567	-	3,727,708
		729,635	748,827	2,042,733	5,664,992
Operating income		552,282	434,778	1,891,744	3,494,960
Other income					
Profit from investment in real estate project		-	300,000	-	800,000
Income from equity accounted investment	5	708,616	91,100	1,378,083	277,321
Interest income		32,031	25,040	95,212	82,921
Gain on disposal of marketable securities		105,961	-	105,961	-
Fair value adjustment on marketable securities		-	20,428	63,455	100,488
Fair value adjustment on investment properties	4	662,403	-	1,909,973	209,104
		1,509,011	436,568	3,552,684	1,469,834
Other expenses					
Financing costs		250,864	203,851	722,612	824,010
General and administrative costs		89,093	101,488	232,350	355,091
Fair value adjustment on investment properties	4	-	771,547	-	-
		339,957	1,076,886	954,962	1,179,101
Income (loss) before taxes		1,721,336	(205,540)	4,489,466	3,785,693
Current income tax expense		24,000	43,000	110,000	636,000
Deferred income tax expense (recovery)		28,000	(369,000)	313,000	1,000
		52,000	(326,000)	423,000	637,000
Net income and comprehensive income		\$ 1,669,336	\$ 120,460	\$ 4,066,466	\$ 3,148,693
Net income (loss) attributable to:					
Shareholders		\$ 1,669,336	\$ 296,300	\$ 4,066,466	\$ 3,326,693
Non-controlling interests		-	(175,840)	-	(178,000)
		\$ 1,669,336	\$ 120,460	\$ 4,066,466	\$ 3,148,693
Net income per share attributable to shareholders:					
Basic income per share	10	\$ 0.036	\$ 0.006	\$ 0.088	\$ 0.073
Diluted income per share	10	\$ 0.031	\$ 0.006	\$ 0.076	\$ 0.063

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, 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)		-	-	-	-	3,326,693	(178,000)	3,148,693
Dividends paid		-	-	-	-	(216,809)	-	(216,809)
Dividends payable		-	-	-	-	(246,495)	-	(246,495)
Dividend reinvestment plan	11	488,394	292,067	-	-	(292,067)	-	-
Balance, September 30, 2018		45,586,534	\$ 10,583,392	7,425,000	\$ 1,113,750	\$ 30,330,421	\$ 1,287,402	\$ 43,314,965

	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, 2018		45,842,925	\$ 10,773,071	7,425,000	\$ 1,113,750	\$ 31,752,422	\$ 1,290,895	\$ 44,930,138
Changes during the year:								
Net income and comprehensive income		-	-	-	-	4,066,466	-	4,066,466
Dividends paid		-	-	-	-	(302,103)	-	(302,103)
Dividends payable		-	-	-	-	(407,099)	-	(407,099)
Dividend reinvestment plan	11	1,011,929	773,361	-	-	(773,361)	-	-
Balance, September 30, 2019		46,854,854	\$ 11,546,432	7,425,000	\$ 1,113,750	\$ 34,336,325	\$ 1,290,895	\$ 48,287,402

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 September 30,		Nine months ended September 30,	
		2019	2018	2019	2018
Operating activities					
Net income and comprehensive income		\$ 1,669,336	\$ 120,460	\$ 4,066,466	\$ 3,148,693
<i>Items not affecting cash:</i>					
Income from equity accounted investment	5	(708,616)	(91,100)	(1,378,083)	(277,321)
Interest and dividend income		(32,031)	(25,040)	(95,212)	(82,921)
Fair value adjustment on marketable securities		-	(20,428)	(63,455)	(100,488)
Fair value adjustment on investment properties	5	(662,403)	1,189,755	(1,909,973)	209,104
Gain on disposal of marketable securities		(105,961)	-	(105,961)	-
Deferred income tax expense (recovery)		28,000	(369,000)	313,000	1,000
Adjustments for other non-cash working capital items	19	385,058	(879,592)	143,667	1,175,137
Cash provided by (used in) operating activities		573,383	(74,945)	970,449	4,073,204
Investing activities					
Construction expenditures to properties under development	4	(2,020,333)	(324,197)	(3,997,829)	(489,081)
Capital expenditures on income properties	4	(118,597)	(374,337)	(202,027)	(1,014,686)
Construction expenditures to inventory properties	6	(161,266)	(261,686)	(340,474)	(638,869)
Proceeds from sale of investment properties		-	7,300,000	-	7,300,000
Proceeds from sale of marketable securities	7	616,471	-	616,471	-
Distributions from equity accounted investment	5	-	200,000	-	200,000
Cash provided by (used in) investing activities		(1,683,725)	6,539,780	(3,923,859)	5,357,364
Financing activities					
Proceeds from mortgage financing, net	9	-	-	3,200,117	-
Repayments of mortgage principal		(262,321)	(4,845,498)	(793,145)	(7,825,879)
Dividends paid	18	(131,547)	(358,180)	(302,103)	(433,618)
Cash used in financing activities		(393,868)	(5,203,678)	2,104,869	(8,259,497)
Net change in cash		(1,504,210)	1,261,157	(848,541)	1,171,071
Cash, beginning of period		9,840,222	7,912,389	9,184,553	8,002,475
Cash, end of period		\$ 8,336,012	\$ 9,173,546	\$ 8,336,012	\$ 9,173,546

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

(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, 2018 and 2017.

These interim condensed consolidated financial statements were authorized for issuance by the board of directors on November 27, 2019.

(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 4) and marketable securities (note 7), as set out in the relevant accounting policies. The accounting policies set out below have been applied consistently in all material respects.

(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, 2018 and 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies and disclosures

The accounting policies adopted in the presentation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017, except for the adoption of new standards and interpretations effective as of January 1, 2019.

IFRS 16, Leases (IFRS 16)

The Company has adopted IFRS 16 retrospectively without restatement to prior year comparatives. IFRS 16 supersedes IAS 17, *Leases*, IFRS Interpretations Committee 4, *Determining whether an Arrangement contains a Lease*, SIC 15, *Operating Leases – Incentives*, and SIC 27, *Evaluating the Substance of Transactions Involving Legal Form of a Lease*.

As a lessee, under IAS 17, leases were classified as operating or finance leases based on the Company's assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset of the Company. Under IFRS 16, the Company recognizes right-of-use (ROU) asset and lease liability for most leases. The asset is subsequently accounted for as an

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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investment property and the liability is unwound using the interest rate inherent in the lease. Urbanfund is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. Upon the adoption of IFRS 16, the Company has adopted the following accounting policies effective January 1, 2019:

Urbanfund as a lessor

When the Company acts as a lessor, it determines and classifies each lease as a finance lease or operating lease at the lease commencement date.

When a lease transfers to the lessee substantially all the risk and rewards of ownership incidental to the ownership of the underlying asset, the lease is classified as a finance lease, otherwise, the lease is classified as an operating lease. To make this assessment, the Company considers certain indicators including whether the lease is for the major part of the economic life of the asset or the present value of lease payments is substantially all the fair value of the underlying asset.

If a lease arrangement contains lease and non-lease components, the Company applies IFRS 15, *Revenue from Contracts with Customers* to allocate the consideration to the various components of the contract, and subsequently applies IFRS 16 to the lease component.

Operating lease revenue

Straight-line rent

Certain lease contracts contain rent escalation clauses or provide for tenant occupancy during periods for which no rent is due. Certain lease contracts or lease modifications may also include lease termination options and payments. Urbanfund records the total rental income on a straight-line basis, inclusive of lease termination payments, if it is likely that the tenant will exercise the lease termination option, over the full term of the lease contract or modified lease contract, including the tenant fixturing period. An accrued straight-line rent receivable is recorded from tenants for the difference between the straight-line rent and the rent that is contractually owing.

Straight-line rent is recalculated and adjusted for modifications to existing tenant operating leases.

Lease cancellation fees

Amounts payable by tenants to terminate their lease prior to the contractual expiry date are included in rental revenue as lease cancellation fees at the date the tenant ceases to have the right to use the asset, if the lease termination payment was not included in the straight-line rent, as a result of the tenant likely exercising the lease termination option.

IFRIC 23, Uncertainty over Income Tax Treatment (IFRIC 23)

In June 2017, the IASB issued amendments as a clarification to requirements under IAS 12, *Income Taxes*. IFRIC 23 clarifies the application of various recognition and measurement requirements when there is uncertainty over income tax treatments. The amendments became effective on January 1, 2019. The amendments did not have an impact on the Company's interim condensed consolidated financial statements.

IASB annual improvements 2015-2017 cycle

In December 2017, the IASB issued amendments to four standards IFRS 3, *Business Combinations* (IFRS 3), IFRS 11, *Joint Arrangements* (IFRS 11), IAS 12, *Income Taxes* (IAS 12), and IAS 23 *Borrowing Costs* (IAS 23). These amendments became effect on January 1, 2019. The implementation of these standards did not have a significant impact on the Company's interim condensed consolidated financial statements.

4. INVESTMENT PROPERTIES

As at,	September 30, 2019	December 31, 2018
Income properties	\$ 55,545,000	\$ 53,433,000
Properties under development	8,464,507	4,466,678
	\$ 64,009,507	\$ 57,899,678

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

	Income properties	Properties under development	Total
Balance, January 1, 2019	\$ 53,433,000	\$ 4,466,678	\$ 57,899,678
Development expenditures:			
Capitalized costs	-	3,997,829	3,997,829
Finance costs	-	-	-
Capital expenditures	202,027	-	202,027
Fair value adjustment on investment properties	1,909,973	-	1,909,973
Balance, September 30, 2019	\$ 55,545,000	\$ 8,464,507	\$ 64,009,507

	Income properties	Properties under development	Total
Balance, January 1, 2018	\$ 56,230,000	\$ 5,197,685	\$ 61,427,685
Dispositions	(5,961,000)	(1,339,000)	(7,300,000)
Development expenditures:			
Capitalized costs	-	577,524	577,524
Finance costs	-	30,469	30,469
Capital expenditures	1,090,586	-	1,090,586
Fair value adjustment on investment properties	2,073,414	-	2,073,414
Balance, December 31, 2018	\$ 53,433,000	\$ 4,466,678	\$ 57,899,678

Dispositions

The following tables summarize the Company's disposition of investment properties and properties under development:

	Income properties	Properties under development
As at December 31, 2018		
Total consideration	\$ 5,961,000	\$ 1,339,000
Mortgages associated with property dispositions	(4,568,918)	-
Total consideration, net of related debt	\$ 1,392,082	\$ 1,339,000

Property name and location	Date of disposition	Sale proceeds	Debt	Ownership interest of Urbanfund
48 Weber Street, Kitchener, Ontario	July 13, 2018	\$ 5,961,000	\$ (4,568,918)	90%
61 Roy Street, Kitchener, Ontario	July 13, 2018	587,000	-	90%
65 Roy Street, Kitchener, Ontario	July 13, 2018	752,000	-	90%
Total dispositions for the year ended December 31, 2018		\$ 7,300,000	\$ (4,568,918)	

Valuation methodology

As highlighted in note 14, 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 September 30, 2019 and December 31, 2018, the capitalization rates used in valuing the commercial and residential properties are set out as follows:

	December 31, 2018			September 30, 2019		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.50%	5.50%	5.50%	5.05%	6.00%	5.23%
Residential properties	3.90%	8.00%	4.41%	3.90%	7.80%	4.35%

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.

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NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(In Canadian dollars, except per share amounts)
(Unaudited)

		Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2018:				
Capitalization rate, decrease, 0.25%	\$	1,346,700	\$ 1,697,600	\$ 2,048,700
Capitalization rate, as reported		(332,300)	-	336,200
Capitalization rate, increase, 0.25%		(1,855,800)	(1,537,900)	(1,218,800)
As at September 30, 2019:				
Capitalization rate, decrease, 0.25%	\$	1,313,800	\$ 1,673,200	\$ 2,033,800
Capitalization rate, as reported		(413,000)	-	272,300
Capitalization rate, increase, 0.25%		(1,978,000)	(1,651,500)	(1,326,000)

5. EQUITY ACCOUNTED INVESTMENT

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

As at		September 30, 2019	December 31, 2018
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		September 30, 2019	December 31, 2018
Balance, beginning of period (year)	\$	7,712,410	\$ 7,679,397
Distributions		-	(200,000)
Share of net income		1,378,083	233,013
Balance, end of period (year)	\$	9,090,493	\$ 7,712,410

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

As at		September 30, 2019	December 31, 2018
Current assets	\$	2,210,987	\$ 1,263,197
Non-current assets		117,850,000	113,580,299
Current liabilities		(1,354,038)	(1,259,201)
Non-current liabilities		(73,254,482)	(75,022,244)
Net assets		45,452,467	38,562,051
Equity accounted investment	\$	9,090,493	\$ 7,712,410

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 3,243,476	\$ 3,143,433	\$ 9,658,399	\$ 9,394,720
Operating expenses	(1,747,717)	(1,966,746)	(5,179,024)	(5,854,791)
Interest expense	(702,709)	(721,186)	(2,099,002)	(2,153,324)
Fair value adjustment on investment properties	2,750,040	-	4,510,040	-
Net income	\$ 3,543,090	\$ 455,501	\$ 6,890,413	\$ 1,386,605

The following tables presents the financial position of Urbanfund's equity accounted investee on a 20% basis:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 648,695	\$ 628,687	\$ 1,931,680	\$ 1,878,944
Operating expenses	(349,545)	(393,349)	(1,035,805)	(1,170,958)
Interest expense	(140,542)	(144,237)	(419,800)	(430,665)
Fair value adjustment on investment properties	550,008	-	902,008	-
Net income	\$ 708,616	\$ 91,100	\$ 1,378,083	\$ 277,321

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

6. INVENTORY PROPERTIES

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

As at	September 30, 2019	December 31, 2018
Balance, beginning of period (year)	\$ 2,841,320	\$ 5,947,886
Development costs	340,474	623,804
Disposition of inventory properties	-	(3,730,370)
Balance, end of period (year)	\$ 3,181,794	\$ 2,841,320

7. MARKETABLE SECURITIES

During the nine months ended September 30, 2019, Urbanfund sold all of its marketable securities for a total proceed of \$616,471 resulting in a net gain of \$105,961.

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

As at	September 30, 2019	December 31, 2018
Cost	\$ -	\$ 353,427
Fair value	-	445,060

8. RECEIVABLES AND OTHER ASSETS

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

As at	September 30, 2019	December 31, 2018
Accounts receivable	\$ 551,053	\$ 441,137
Investment in private company (2,083,333 common shares) ⁽ⁱ⁾	250,000	250,000
Amounts receivable (note 13)	128,087	128,095
Prepaid expenses	260,493	84,252
Deposits	264,514	-
Total	\$ 1,454,147	\$ 903,484

(i) The investment in private company represents 2,083,333 common shares with 1,041,666 detachable warrants. During 2018, the 1,041,666 detachable warrants expired.

9. MORTGAGES PAYABLE

As at	September 30, 2019	December 31, 2018
Current	\$ 5,836,255	\$ 2,622,641
Non-current	24,809,560	25,616,204
Total	\$ 30,645,815	\$ 28,238,845

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").

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

As at				September 30, 2019	December 31, 2018
Property name(s)	Payment Terms	Maturity Date	Interest Rate		
3080-3094 Don Mills & 200 Van Horne	MBPI	Mar 1, 2025	2.52%	\$ 10,630,950	\$ 10,924,424
305 North Front Centre	MBPI	Oct 5, 2022	3.95%	9,674,056	9,864,476
476-480 Wonderland Road	MBPI	Jun 5, 2023	3.86%	1,118,110	1,161,334
Quebec Headway, Vendor Take Back	MBPI	May 1, 2023	4.50%	2,366,894	2,470,675
Quebec Headway, Assumed Mortgages	MBPI	(i)	(i)	2,302,699	2,490,930
59 Weber Street	IO	Jan 1, 2020	5.95%	3,200,117	-
4 Alfred Kuhne Boulevard	IO	Dec 1, 2019	5.50%	1,543,750	1,543,750
Mortgages payable				\$ 30,836,576	\$ 28,455,589

(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 3.96 years (December 31, 2018 - 4.74 years) and bear a weighted average interest rate of 3.22% (December 31, 2018 - 3.22%).

Minimum principal payments over the following years are as follows:

Remainder of 2019	\$ 1,819,431
2020	4,312,616
2021	1,038,614
2022	9,801,303
2023	3,388,479
Thereafter	10,476,133
	30,836,576
Unamortized mortgage financing costs	(190,761)
	\$ 30,645,815

10. EQUITY

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Basic income per share				
Net income attributable to shareholders	\$ 1,669,336	\$ 296,300	\$ 4,066,466	\$ 3,326,693
Weighted average common shares outstanding	46,784,860	45,586,534	46,409,162	45,410,624
Basic income per share	\$ 0.036	\$ 0.006	\$ 0.088	\$ 0.073
Diluted income per share				
Net income attributable to shareholders	\$ 1,669,336	\$ 296,300	\$ 4,066,466	\$ 3,326,693
Weighted average common shares outstanding	46,784,860	45,586,534	46,409,162	45,410,624
Dilutive effect of preferred shares	7,425,000	7,425,000	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	54,209,860	53,011,534	53,834,162	52,835,624
Diluted income per share	\$ 0.031	\$ 0.006	\$ 0.076	\$ 0.063

11. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

On June 17, 2015, Urbanfund adopted a dividend policy (the "Dividend Policy") and implemented a dividend reinvestment plan for the holders of common shares and Series A preferred shares (collectively, the "DRIP"). The DRIP is a voluntary program permitting holders of Series A, first preferred shares and common shares to automatically and without charge, reinvest dividends into additional common shares at a specified discount to the volume-weighted average market price calculated as the date of payment.

On June 18, 2019, Urbanfund amended its Dividend Policy to increase the annual dividend rate to \$0.03 per common share and \$0.03 per Series A preferred share, or 50% increase from the previous year, payable quarterly in the amount of \$0.0075 per common share and Series A preferred share.

For the nine months ended September 30, 2019, Urbanfund issued 1,011,929 common shares valued at \$773,361 to participants enrolled in the DRIP (September 30, 2018 – 488,394 and \$292,067). For the nine months ended September 30, 2019, total dividends

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paid during the period was \$302,103 (September 30, 2018 - \$216,809). As at September 30, 2019, dividends payable was \$407,099 (September 30, 2018 - \$246,495).

12. RENTAL REVENUE

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Base rent	\$ 1,089,391	\$ 1,093,403	\$ 3,227,330	\$ 3,430,166
Realty tax recoveries	94,691	78,815	413,190	303,238
Common area maintenance recoveries	66,642	1,506	149,752	215,743
Percentage rent	3,909	1,384	70,538	51,888
Miscellaneous revenue	27,284	8,497	73,667	20,554
	\$ 1,281,917	\$ 1,183,605	\$ 3,934,477	\$ 4,021,589

As a result of adopting IFRS 15, *Revenue from Contracts with Customers*, the following tables provide additional disclosures of the Company's other revenue streams.

Revenue from Contracts with Customers

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Common area maintenance recoveries	66,642	(8,494)	149,752	205,743
Parking revenue	9,328	3,350	26,298	23,411
	\$ 75,970	\$ (5,144)	\$ 176,050	\$ 229,154

13. RELATED PARTY BALANCES AND TRANSACTIONS

Included in amounts receivable within receivables and other assets (note 8) is \$128,087 (December 31, 2018 - \$128,095) 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	September 30, 2019	December 31, 2018
<i>Property management fees, included in:</i>		
Accounts payable and accrued liabilities	\$ 26,812	\$ 24,941
<i>Management cost reimbursements, included in:</i>		
Accounts payable and accrued liabilities	\$ 1,781	\$ 23,859

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
<i>Property management fees, included in:</i>				
Rental expenses	\$ 28,886	\$ 47,580	\$ 91,392	\$ 93,133
Income from equity accounted investment, net	22,245	21,582	66,543	64,592
<i>Management cost reimbursements, included in:</i>				
Rental expenses	\$ 71,200	\$ 47,479	\$ 202,296	\$ 175,198
Income from equity accounted investment, net	45,857	46,144	145,594	150,051

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 September 30, 2019, there was \$1,042,398 (December 31, 2018 - \$404,687) in cash held by the brokerage, in addition to the marketable securities disclosed in note 7.

There has been no compensation paid to key management personnel during the periods ended September 30, 2019 and 2018.

14. 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:

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As at	September 30, 2019			December 31, 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets measured at fair value:</i>						
Cash and cash equivalents	\$ 8,336,012	\$ -	\$ -	\$ 9,184,553	\$ -	\$ -
Income properties (note 4)	-	-	55,545,000	-	-	53,433,000
Total assets measured at fair value	\$ 8,336,012	\$ -	\$ 55,545,000	\$ 9,184,553	\$ -	\$ 53,433,000

For assets measured at fair value as at September 30, 2019 and December 31, 2018, 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 8) 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 \$30,000,000 (December 31, 2018 - \$27,000,000) based on the interest rates obtainable for similar financial instruments in the current market place.

15. 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.

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 \$200,287 (December 31, 2018 - \$475,941).

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:

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	< 1 year	1-2 years	3-5 years	>5 years
Accounts payable and accrued liabilities	\$ 1,640,274	\$ -	\$ -	\$ -
Mortgages payable	1,819,431	4,312,616	14,228,396	10,476,133

16. 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 September 30, 2019 and 2018.

17. 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.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Interest received	\$ 32,031	\$ 25,040	\$ 95,212	\$ 82,921
Interest paid	(241,589)	(191,629)	(695,834)	(764,619)
Dividends paid:				
Dividends declared during the period	\$ (131,565)	\$ (56,816)	\$ (332,738)	\$ (273,625)
Dividends declared in prior period paid in the current period	(87,714)	(191,280)	(57,097)	(216,809)
Dividends declared in the current period paid in next period	87,732	(110,084)	87,732	56,816
Dividends paid	\$ (131,547)	\$ (358,180)	\$ (302,103)	\$ (433,618)

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

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Balance, beginning of period	\$ 31,105,879	\$ 33,573,842	\$ 28,455,589	\$ 36,584,854
Cash flows	(262,321)	(4,845,498)	2,406,972	(7,825,879)
Non-cash changes:				
Deferred financing costs	(6,981)	(243,286)	(25,984)	(273,917)
Balance, end of period	\$ 30,836,577	\$ 28,485,058	\$ 30,836,577	\$ 28,485,058

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19. ADJUSTMENTS FOR OTHER NON-CASH WORKING CAPITAL ITEMS

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Receivables and other assets	\$ 136,018	\$ (581,917)	\$ (550,663)	\$ (865,541)
Accounts payable and accrued liabilities	(335,908)	(631,787)	488,088	(23,877)
Income taxes	24,000	43,000	109,830	(1,681,435)
Tenant deposits	(30,103)	22,200	3,197	42,592
Deferred financing costs and other	591,051	103,047	93,215	(24,310)
Inventory properties	-	165,865	-	3,727,708
Net change in other working capital items	\$ 385,058	\$ (879,592)	\$ 143,667	\$ 1,175,137

20. 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.

21. SUBSEQUENT EVENT

On November 26, 2019, the Company, along with Westdale Construction Limited ("Westdale"), completed the acquisition of the 145 unit Bellbrook and Regal Luxury Apartment portfolio located in Dartmouth, Nova Scotia. An incorporated subsidiary, Bellbrook Residential Inc. (the "Purchaser"), purchased the portfolio with the Company being a 20% shareholder and Westdale retaining the remaining 80% interest. The Purchaser purchased the portfolio for \$33,350,000 plus customary closing costs. The purchase price was funded by a \$24,000,000 mortgage and the balance by pro rata equity subscriptions from the Company and Westdale. The Company's subscription for a 20% interest in the Purchaser was satisfied with cash on-hand. The Company agreed to indemnify Westdale for its pro rata share of the obligations, if any, Westdale may have to the lender in Westdale's capacity as guarantor. Property Management will be the responsibility of Westdale and will be compensated at market rates.

22. COMPARATIVE BALANCES

The comparative amounts presented in these interim condensed consolidated financial statements have been reclassified to conform to the current period's presentation.