



URBAN SELECT CAPITAL CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

Mao & Ying LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Urban Select Capital Corporation**

We have audited the accompanying consolidated financial statements of Urban Select Capital Corporation (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows and for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes matter and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Mao & Ying LLP

Vancouver, Canada,
October 27, 2017

Chartered Professional Accountants

URBAN SELECT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars unless otherwise stated)

	June 30, 2017	June 30, 2016
	\$	\$
ASSETS		
Current Assets		
Cash	49,674	150,746
Other receivables	14,578	10,572
Prepaid expenses and deposits	22,438	1,970
Loan receivables (Note 6)	-	150,000
Due from related parties (Note 10)	-	6,148
Investments (Note 4)	24,706	90,840
	<u>111,396</u>	<u>410,276</u>
Non-current Assets		
Investments (Note 4)	118,489	368,489
Equipment (Note 5)	4,590	1,559
	<u>123,079</u>	<u>370,048</u>
Total Assets	<u>234,475</u>	<u>780,324</u>
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10)	71,726	33,278
Loan payables (Note 7)	658,500	600,000
Total Liabilities	<u>730,226</u>	<u>633,278</u>
Equity		
Shareholder's equity		
Share capital (Note 8)	4,504,999	4,504,999
Share-based payments reserve	1,208,208	1,208,208
Deficit	(6,182,657)	(5,566,161)
Total shareholder's (deficiency) equity	<u>(469,450)</u>	<u>147,046</u>
Non-controlling interests (Note 11)	<u>(26,301)</u>	<u>-</u>
Total equity	<u>(495,751)</u>	<u>147,046</u>
Total Liabilities and Equity	<u>234,475</u>	<u>780,324</u>

Going concern (Note 2)
Contingent liabilities (Note 17)

“Min Kuang”

Director

“David Yoo”

Director

The accompanying notes are an integral part of these consolidated financial statements.

URBAN SELECT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars unless otherwise stated)

	Year ended	
	June 30, 2017	June 30, 2016
	\$	\$
REVENUES		
Realized gain on sale of investments	16,056	344
Unrealized (loss) gain on investments	(13,835)	41,343
Dividend and interest income	1	822
Advisory income	100,000	-
Other income	-	2,092
	102,222	44,601
EXPENSES		
Accounting and audit	20,518	21,450
Artwork production fees	100,032	-
Consulting (Note 10)	173,188	121,140
Depreciation	1,959	1,063
Filing and transfer agent fees	13,287	12,574
Foreign exchange gain	(161)	(2,406)
Interest expense	31,269	11,253
Legal	88,582	12,956
Office and miscellaneous	31,394	19,476
Provisoin on amounts due from related parties	293,952	405,000
Public relations and conferences	498	3,361
Rent	48,472	28,422
Travel and promotion	36,212	7,747
Wages and salaries	46,572	-
	(885,774)	(642,036)
Net loss and total comprehensive loss for the year	(783,552)	(597,435)
Net loss and comprehensive loss attributable to		
Equity holders of the Company	(616,496)	(597,435)
Non-controlling interest	(167,056)	-
	(783,552)	(597,435)
Basic and diluted loss per share attributable to equity holders of the Company	(0.02)	(0.01)
Weighted average number of common shares outstanding	40,903,000	40,903,000

The accompanying notes are an integral part of these consolidated financial statements.

URBAN SELECT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars unless otherwise stated)

	Number of shares	Share capital	Share-based payments reserve	Deficit	Non- controlling interests (Note 11)	Total equity
		\$	\$	\$	\$	\$
Balance, July 1, 2016	40,903,000	4,504,999	1,208,208	(5,566,161)	-	147,046
Shares issued to non-controlling interests	-	-	-	-	140,755	140,755
Comprehensive loss						
Total comprehensive loss for the year	-	-	-	(616,496)	(167,056)	(783,552)
Balance, June 30, 2017	40,903,000	4,504,999	1,208,208	(6,182,657)	(26,301)	(495,751)
Balance, July 1, 2015	40,903,000	4,504,999	1,208,208	(4,968,726)	-	744,481
Comprehensive loss						
Total comprehensive loss for the year	-	-	-	(597,435)	-	(597,435)
Balance, June 30, 2016	40,903,000	4,504,999	1,208,208	(5,566,161)	-	147,046

The accompanying notes are an integral part of these consolidated financial statements.

URBAN SELECT CAPITAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars unless otherwise stated)

	Year ended	
	June 30, 2017	June 30, 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(783,552)	(597,435)
Items not affecting cash:		
Depreciation	1,959	1,063
Realized gain on sale of investments	(16,056)	(344)
Unrealized loss (gain) on investments	13,835	(41,343)
Provision on amounts due from related parties	293,952	405,000
Changes in non-cash working capital items:		
Other receivables	(4,006)	(1,750)
Prepaid expenses and deposits	(20,468)	(1,944)
Due from related parties	(7,804)	6,758
Accounts payable and accrued liabilities	38,448	(22,401)
Cash used in operating activities	<u>(483,692)</u>	<u>(252,396)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(4,990)	-
Proceeds from sale of investments	318,355	139,391
Cash provided by investing activities	<u>313,365</u>	<u>139,391</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Convertible debentures	-	108,120
Capital contribution by non-controlling interests	140,755	-
Loans received	58,500	600,000
Loan advances made	(130,000)	(585,000)
Cash (used in) provided by financing activities	<u>69,255</u>	<u>123,120</u>
Change in cash during the year	(101,072)	10,115
Cash and cash equivalents, beginning of the year	<u>150,746</u>	<u>140,631</u>
Cash and cash equivalents, end of the year	<u><u>49,674</u></u>	<u><u>150,746</u></u>

Supplemental disclosures with respect to cash flows (Note 12)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF BUSINESS

Urban Select Capital Corporation (the "Company") was incorporated on September 12, 2007 under the laws of British Columbia, Canada as China Select Capital Partners Corp. and changed its name to Urban Select Capital Corporation on October 20, 2011. The Company maintains its head office at Suite 300, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9 and its registered office is located at Suite 1000, 840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1.

The Company is an investment issuer focused on investing growth capital into private and public companies in a broad range of sectors including renewable energy, natural resources, chemicals, agriculture and consumer retail services. During the year ended June 30, 2017, Bellini Fine Art Inc. ("Bellini") and Art Flow Through Limited Partnership ("Art Flow"), new subsidiaries of the Company, were established to exhibit, market, purchase and sell graphic art of cultural merit. The common shares of the Company are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "CH".

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors dated October 27, 2017.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control exists when the Company has (i) power over the investee, (ii) exposure, or rights to variable returns from its investment with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions, balances, income and expenses are eliminated on consolidation.

The Company owns 50.5% equity in Bellini, an entity incorporated on August 2, 2016 under the laws of British Columbia, Canada. Bellini is the general partner of Art Flow, a limited partnership formed on September 21, 2016 under the British Columbia Partnership Act. Pursuant to the Limited Partnership Agreement dated September 21, 2016, the general partner has exclusive authority and responsibility to management and control the business of the partnership, and is liable for all the debts and losses of the partnership. Art Flow has a fiscal year end of December 31. These consolidated financial statements incorporate the accounts of Bellini and Art Flow as at June 30, 2017 and the operations of Bellini and Art Flow from inception to the period ended June 30, 2017.

Non-controlling interests in subsidiaries are identified separately in the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of contribution plus the non-controlling interest's share of profit or loss and other comprehensive income or loss since inception, even if this results in the non-controlling interest having a deficit balance.

2. BASIS OF PREPARATION (continued)

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception and had an accumulated deficit of \$6,182,657 as at June 30, 2017. As at June 30, 2017, the Company has \$600,000 loan payables and accrued interest of \$31,272 outstanding. One of the lenders holding \$300,000 loan principal filed a claim with the Supreme Court of British Columbia on February 16, 2017 demanding for immediate payment of the loan principal and the related interest for a total of \$311,250. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and settle the outstanding loans payable on reasonable terms, and/or to commence profitable operations in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Management, after reviewing the current cash position and having considered the Company's ability to raise funds in the short-term, has adopted the going concern basis in preparing its financial statements.

These consolidated financial statements do not include adjustments that would be required if going concern is not an appropriate basis for preparation of these consolidated financial statements. These adjustments could be material.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair values as discussed in Note 3. In addition these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Judgments and estimates

The preparation of the consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed in Note 3.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash. As at June 30, 2017 and 2016, the Company did not have any cash equivalents.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of any rehabilitation obligation.

Property and equipment are generally depreciated on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	2 years
Office furniture	5 years

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statements of comprehensive loss. The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

Investments

The Company carries its investments at fair value. At the end of each financial reporting period, the Company estimates the fair value of its investments based on the criteria below and records such valuations in the consolidated financial statements.

(a) Publicly-traded Investments

Investments in securities, including shares, options, and warrants which are traded on a recognized securities exchange are recorded at fair value based on the closing price at the financial statements date. The fair value of warrants and options not traded on a recognized securities exchange is calculated on the financial statements date using valuation techniques that consider the exercise price, the closing price of the underlying shares, volatility and liquidity including in some cases the time value of money. In certain cases the Company uses the Black-Scholes option pricing model which requires the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing model does not necessarily provide a reliable single measure of the fair value of the options and warrants.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

(b) Private Company Investments

Investments in private companies are initially recorded at cost, being the fair value at the time of acquisition. At each reporting period thereafter, the fair value of an investment may, depending upon the circumstances, be adjusted by applying one or more of the valuation techniques described below.

In addition to the events described below, the Company will take into account general market conditions when determining if an adjustment to the fair value of an investment in a private company is warranted at the end of each reporting period. In the absence of the occurrence of any of these events, or any significant change in general market conditions, the fair value of the investment is left unchanged.

The fair value of an investment in a private company may be adjusted upward if:

- There has been a significant subsequent equity financing provided by outside investors at a valuation above the current fair value of the investee company. In these instances, the fair value of the investment is adjusted to the value at which that financing took place; or
- There have been significant corporate, political, operating or economic events affecting the investee company that, in management's opinion, have a positive impact on the investee company's prospects and, therefore, its fair value.

The fair value of an investment in a private company may be adjusted downward if:

- There has been a significant subsequent equity financing provided by outside investors, at a valuation below the current fair value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place; or
- The investee company is placed into receivership or bankruptcy; or
- Based on financial information received from the investee company it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern; or
- There have been significant corporate, political, operating or economic events affecting the investee company that, in management's opinion, have a negative impact on the investee company's prospects and, therefore, its fair value.

The adjustment to the fair value of the privately-held investments is based on management's judgment and any value estimated may not be realized and may differ from values that might be determined if a ready market existed. The amount at which an investment in a private company could be disposed of may differ from its carrying value due to the availability and/or reliability of information available to, and determinations reached by, management.

Transaction costs incurred in the purchase and sale of investments, such as finder's fees and legal fees, are recorded as an expense as incurred. The Company also incurs costs to investigate certain early stage projects and other potential investment opportunities to determine whether an investment will be made. These costs are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

(c) Investments in Associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies. Associates of the Company comprises Desource Mining Corp. (2016 - CICINO Corporation, and Desource Mining Corp.). Investments in associates that are held as part of the Company's investment portfolio are carried at fair value in the consolidated statements of financial position. This treatment is permitted by IAS 28 *Investment in Associates*, whereby an entity may elect to measure an investment in an associate at fair value through profit or loss in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* regardless of whether the entity has significant influence over the associate when the investment is held by a venture capital organization. The Company elected to measure the changes in fair value of its investments in associates through profit or loss in accordance with IAS 39.

Financial instruments

(a) Financial assets

The Company classifies its financial assets into one of the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company classifies its cash and investments as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are initially recognized at fair value and subsequently carried at amortized cost less any impairment. The Company's loans and receivables comprise of other receivables, loan receivables and due from related parties.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. Held-to-maturity investments are initially recognized at fair value and subsequently measured at amortized cost. They are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which are classified as non-current assets. The Company does not have financial instruments classified as held-to-maturity as at June 30, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not have financial instruments classified as available-for-sale as at June 30, 2017 and 2016.

(b) Financial liabilities

The Company classifies its accounts payable and loan payables as other financial liabilities. Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

(c) Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Share-based payments

Share-based payments to employees and others providing similar services are measured at the grant date fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of options expected to vest. The offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Share-based payments recorded for unexercised stock options are transferred to deficit upon cancellation or expiration.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, forfeiture rates, and the risk-free interest rate (based on government bonds).

Revenue recognition

Security transactions are recorded on a trade-date basis. Realized gains and losses on the disposal of investments and unrealized gains and losses in the fair value of investments, are recognized in the consolidated statements of comprehensive loss and are calculated on an average cost basis. Upon disposal of an investment, previously recognized unrealized gains or losses are reversed, so as to recognize the full realized gain or loss in the period of disposition.

Advisory income and other income are recorded as income on an accrual basis when the services are performed and collections are assured. Distributions and interest income are recognized on an accrual basis and dividend income is recognized on the ex-dividend date.

Loss per share

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. The diluted loss per share reflects all dilutive potential common shares equivalents, which comprise outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and the share purchase warrants were anti-dilutive for the years ended June 30, 2017 and 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards and other deductions. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities. Critical areas requiring the use of management estimates include:

- (a) The assessment of recoverability of loan receivables.
- (b) The determination of the fair value of the Company's investments that are valued using inputs other than quoted prices are subject to estimation. Where the fair values of financial assets and financial liabilities recorded on the consolidated statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, estimation is required to establish fair values.

Critical accounting judgments

Critical accounting judgements are accounting policies that have been identified as being complex or involving subject judgment or assessments. The most critical judgments that are applicable to the Company's consolidated financial statements include:

- (a) The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.
- (b) The accounting treatment of investments.
- (c) The Company is subject to claims and legal proceedings arising in the ordinary course of business activities. Management assesses the probability of a liability being payable as either remote, more than remote or probable. If the liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability. For matters that are probable and can be reasonably estimated, the Company establishes provisions in its consolidated financial statements (see Note 17).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements issued but not yet in effective

Certain new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2017, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

- (a) IFRS 15 *Revenue from Contracts with Customers* was issued in May 2014 and specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is expected to be effective for annual periods beginning on or after January 1, 2018, with early adoption allowed. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance.
- (b) IFRS 9 *Financial Instruments* was issued by the IASB on July 24, 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- (c) IAS 7 *Statement of Cash Flows* has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment are effective for annual periods beginning on or after January 1, 2017 with early adoption permitted.
- (d) IFRS 16 *Leases* was issued by IASB and will replace IAS 17 *Leases*. IFRS 16 requires most leases to be reported on a company's balance sheet as assets and liabilities. IFAS 16 is effective for annual periods beginning on or after January 1, 2019 with early application permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company's consolidated financial statements.

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4. INVESTMENTS

Investments are held at fair value. Investments in common shares of publicly traded companies are classified as held for trading and investments in common shares of privately held companies are designated at fair value through profit or loss. The Company's investments are comprised of the following:

	Number of Shares	Average Cost	Fair Value
		\$	\$
Common shares of publicly traded companies			
Investments in common shares of public entities		369,382	24,706
Common shares of privately held companies			
BoardSuite Corp.	400,000	200,000	-
CICINO Corporation	925,000	92,500	-
Deserving Health International Corp.	78,992	19,748	19,748
Desource Mining Corp.	394,962	19,748	-
Yaletown Energy Capital Corp.	394,962	-	98,741
		331,996	118,489
Preferred shares of privately held companies			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		361,996	118,489
Balance, June 30, 2017		731,378	143,195
Common shares of publicly traded companies			
Investments in common shares of public entities		664,573	90,840
Common shares of privately held companies			
BoardSuite Corp.	400,000	200,000	-
CICINO Corporation	2,500,000	250,000	250,000
Deserving Health International Corp.	78,992	19,748	19,748
Desource Mining Corp.	394,962	19,748	-
Yaletown Energy Capital Corp. (formerly Trinity Intercontinental Ventures Corp.)	394,962	-	98,741
		489,496	368,489
Preferred shares of privately held companies			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		519,496	368,489
Balance, June 30, 2016		1,184,069	459,329

For the year ended June 30, 2017, the Company recorded an unrealized loss of \$13,835 (2016 - an unrealized gain of \$41,343) as a result of a change in fair value of its investments.

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5. EQUIPMENT

	Computer equipment	Computer software	Office furniture	Total
	\$	\$	\$	\$
Cost				
Balance as at June 30, 2016	7,353	856	-	8,209
Additions	1,972	-	3,018	4,990
Balance as at June 30, 2017	9,325	856	3,018	13,199
Accumulated depreciation				
Balance as at June 30, 2016	5,794	856	-	6,650
Depreciation	1,456	-	503	1,959
Balance as at June 30, 2017	7,250	856	503	8,609
Carrying amount as at June 30, 2017	2,075	-	2,515	4,590

	Computer equipment	Computer software	Total
	\$	\$	\$
Cost			
Balance as at June 30, 2015	7,353	856	8,209
Additions	-	-	-
Balance as at June 30, 2016	7,353	856	8,209
Accumulated depreciation			
Balance as at June 30, 2015	4,731	856	5,587
Depreciation	1,063	-	1,063
Balance as at June 30, 2016	5,794	856	6,650
Carrying amount as at June 30, 2016	1,559	-	1,559

During the year ended June 30, 2017, the Company purchased computer equipment of \$1,972 (2016 - \$Nil) and office furniture of \$3,018 (2016 - \$Nil) from CICINO Corporation (“CICINO”), an investee company of which the Company’s Chief Executive Officer is also a shareholder in CICINO.

6. LOAN RECEIVABLES

During the year ended June 30, 2017, the Company made an advance of \$130,000 (2016 - \$585,000) to CICINO. On December 4, 2015, the Company signed a debt settlement agreement with CICINO to settle a loan principal amount of \$30,000 in exchange of 150,000 preferred share of CICINO. The Company's Chief Executive Officer is also a shareholder of CICINO, and was also the president and director of CICINO until December 31, 2016. Pursuant to a general security agreement dated February 20, 2015 between CICINO and the Company, CICINO grants to the Company a security interest in the collateral (the "Collateral") to secure the payment of all obligations, indebtedness and liabilities of CICINO to the Company. The Collateral includes inventory, equipment, accounts receivable, intangibles, other personal property of CICINO (collectively referred to as the "Properties") and proceeds derived from sale, lease or other dispositions of any Properties. CICINO has no rights to sell, lease or dispose of any of the Collateral except for a sale of inventory in the ordinary course of business.

As at June 30, 2017, the total amount of loan principal outstanding was \$685,000 (June 30, 2016 - \$555,000), of which:

- (a) a promissory note dated September 23, 2015 in the amount of \$50,000 bears an interest rate of 10% per annum and repayable on demand;
- (b) a promissory note dated January 21, 2016 in the amount of \$100,000 bears an interest rate of 5% per annum and repayable on demand;
- (c) a loan agreement dated January 28, 2016 in the amount of \$120,000 bears an interest rate of 5% per annum and repayable on demand. The Company has the option to convert all or any part of the entire principal amount into preferred voting shares of CICINO at a conversion price of \$0.20 per share if the conversion occurs on or prior to September 30, 2016. This conversion option expires unexercised;
- (d) a loan agreement dated March 21, 2016 in the amount of \$75,000 bears an interest rate of 5% per annum and repayable on demand. The Company has the option to convert all or any part of the entire principal amount into preferred voting shares of CICINO at a conversion price of \$0.20 per share if the conversion occurs on or prior to September 30, 2016. This conversion option expires unexercised;
- (e) a promissory note dated May 31, 2016 in the amount of \$210,000 bears an interest rate of 5% per annum, compounded monthly, and repayable on demand;
- (f) a promissory note dated September 12, 2016 in the amount of \$50,000 bears an interest rate of 5% per annum, compounded monthly, and repayable on demand;
- (g) a promissory note dated September 30, 2016 in the amount of \$60,000 bears an interest rate of 5% per annum, compounded monthly, and repayable on demand;
- (h) a promissory note dated October 31, 2016 in the amount of \$10,000 bears an interest rate of 5% per annum, compounded monthly, and repayable on demand; and
- (i) a promissory note dated December 30, 2016 in the amount of \$10,000 bears an interest rate of 5% per annum, compounded monthly, and repayable on demand.

As at June 30, 2017, the carrying amount of loan receivables from CICINO, net of a provision of \$685,000, was \$Nil (June 30, 2016 - \$150,000). As at June 30, 2017, loan interest receivable from CICINO in the amount of \$46,553 (June 30, 2016 - \$12,005) has not been accrued. The fair value of the conversion feature embedded in the loan agreements is not material.

7. LOAN PAYABLES

On December 11, 2015, the Company signed a loan agreement in the amount of \$150,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until pay in full. The loan matured on November 25, 2016. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. This loan is outstanding as at June 30, 2017. The Company is in the process of negotiating with this lender for settlement options.

On January 19, 2016, the Company entered into a loan agreement in the amount of \$150,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until pay in full. The loan matured on January 19, 2017. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. This loan is outstanding as at June 30, 2017. The Company is in the process of negotiating with this lender for settlement options.

On April 1, 2016, the Company entered into a loan agreement in the amount of \$300,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until paid in full. The loan matured on April 19, 2017. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. The lender has the option to convert all of the entire principal amount and unpaid interest into common shares of the Company at a conversion price of \$0.02 per share if the conversion occurs on or prior to June 30, 2016 (the "Lender's Conversion Option"). The Lender's Conversion Option expires unexercised. The fair value of the Lender's Conversion Option embedded in the loan agreement is not material due to the relatively short conversion period. The Company can pay in the form of the Company's common shares for any debt and /or interest that the lender has called for payment under this agreement. This loan is outstanding as at June 30, 2017 (see Note 17).

On August 31, 2016, the Company entered into a loan participating agreement with FASW Enterprises Inc. ("FASW"), a corporation incorporated in the province of British Columbia (the "FASW Loan Agreement"). Pursuant to the FASW Loan Agreement, FASW advanced \$250,000 to the Company (the "FASW Loan"), and the Company allowed FASW to participate in the security and provided part of the CICINO Collateral as security to the FASW Loan. FASW had an option to settle the FASW Loan with CICINO's common shares held by the Company. In September 2016, FASW and the Company entered into a share transfer agreement, pursuant to which the Company transferred 1,575,000 common shares of CICINO it held to FASW to settle the FASW Loan.

On November 24, 2016, Bellini entered into a loan agreement in the amount of \$13,500 with the non-controlling interest shareholder of Bellini. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until paid in full. The loan will mature on November 25, 2017. Bellini has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. Bellini can pay in the form of Bellini's common shares for any debt and /or interest that the lender has called for payment under this agreement.

On April 15, 2017, the Company issued a promissory note in the amount of \$45,000 to the Chief Executive Officer and Director of the Company. The loan is unsecured, non-interest bearing and repayable on demand.

As at June 30, 2017, loan interest payable in the amount of \$31,272 (June 30, 2016 - \$11,253) is included in the accounts payable and accrued liabilities

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8. SHARE CAPITAL

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value issuable in series.

Issued share capital

No shares were issued by the Company during the years ended June 30, 2017 and 2016.

9. SHARE-BASED PAYMENTS

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the closing market price of the Company's shares on the day immediately preceding the day of the grant, less the discount permitted by the TSX-V policies. The options can be granted for a maximum term of 5 years and the terms and conditions of vesting is determined by the board of directors.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, June 30, 2015 and 2016	1,480,000	0.20
Options expired	(1,480,000)	0.20
Options outstanding, June 30, 2017	-	-
Options exercisable, June 30, 2017	-	-

No stock options were granted during the years ended June 30, 2017 and 2016. All stock options granted in prior years were fully vested and the Company did not have share-based compensation during the years ended June 30, 2017 and 2016.

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10. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's related parties include corporate entities over which it exercises significant influence, and key management personnel. Transactions with related parties for goods and services are made on normal commercial terms and are recorded at the exchange amount of consideration established and agreed to by the related parties. The related party transactions not disclosed elsewhere in these consolidated financial statements are listed below.

Key management includes directors (executive and non-executive), Chief Executive Officer and Chief Financial Officer of the Company. The compensation paid or payable to key management personnel is as follows:

	Year ended	
	June 30, 2017	June 30, 2016
	\$	\$
Consulting fees (a)	155,000	107,500

Key management personnel were not paid any termination payments, post-employment benefits or other long-term benefits during the years ended June 30, 2017 and 2016.

The Company entered into the following transactions with related parties during the years ended June 30, 2017 and 2016:

- (a) The Company paid its Chief Executive Officer (the "CEO"), who is also a director of the Company \$11,000 per month for the management consulting services rendered. Effective January 1, 2017, the consulting fee is reduced to \$6,000 per month. The CEO's services were provided pursuant to a management services contract with Asia Select Asset Management Inc. ("Asia Select"), a private company controlled by the CEO. In addition, Bellini also entered into a consulting agreement with Asia Select and the CEO on October 1, 2016, amended April 1, 2017, pursuant to which Bellini agreed to pay \$5,500 per month for the management consulting services, rendered effective November 1, 2016 (the "Bellini Consulting Agreement"). The Bellini Consulting Agreement was terminated on June 30, 2017. During the year ended June 30, 2017, the Company incurred total consulting fee of \$146,000 (2016 - \$98,500) to the CEO and \$9,000 (2016 - \$9,000) to the Chief Financial Officer (the "CFO") who is also a director of the Company.
- (b) Purchased of equipment from CICINO in the amount of \$4,990 (2016 - \$Nil) (see Note 5).
- (c) Advanced loans to CICINO of \$130,000 (2016 - \$585,000) (see Note 6).
- (d) Received loan from the CEO of the Company in the amount of \$45,000 (2016 - \$Nil) (see Note 7).
- (e) Incurred rent expense of \$18,834 (2016 - \$Nil) for sub-leasing certain premises from CICINO.
- (f) The Company entered into an agreement with the CEO of the Company on August 2, 2016, of which the CEO granted to Bellini a revocable consent to use the name "Bellini Fine Art Inc." and "Bellini Fine Art" for a period of three years at no cost.

The balance due from related parties as at June 30, 2017 and 2016 comprised of:

- \$Nil (June 30, 2016 - \$6,148) advanced to officers and employees for services to be rendered to the Company. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

The balance due to related parties as at June 30, 2017 and 2016 is included in the accounts payable and accrued liabilities, and is comprised of:

- \$17,325 (June 30, 2016 - \$2,000) representing the unpaid consulting fee owed to a company controlled by the Chief Executive Officer and Director of the Company.
- \$750 (June 30, 2016 - \$Nil) representing the unpaid consulting fee owed to the CFO of the Company.
- \$6,737 (June 30, 2016 - \$Nil) representing advance made by the CEO of the Company. The advance is unsecured, non-interest bearing, and has no specific terms of repayment;

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11. NON-CONTROLLING INTERESTS

Non-controlling interests consist of 49.5% of the equity interest in Bellini and limited partner's interest in Art Flow. There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of Bellini. During the year ended June 30, 2017 no dividends were paid by Bellini to its non-controlling interests.

Pursuant to the Limited Partnership Agreement dated September 21, 2016, Art Flow is authorized to issue 225 limited partnership units. Each unit consists of one class A unit and one class B unit. The initial limited partner is Asia Select, a private entity controlled by the CEO of the Company who is also the sole director of Art Flow (the "Initial Limited Partner"). Pursuant to the agreement, the Initial Limited Partner will acquire 1 class B unit at a consideration of USD10. The future limited partner may acquire the unit at a price of USD10,000 or such other amount as is approved in accordance with the Limited Partnership Agreement. In December 2017, Art Flow issued additional 5 units for USD50,000. As at June 30, 2017, Art Flow has 5 class A units and 6 class B units issued and outstanding. Art Flow shall continue until the earlier of (a) the date on which it is dissolved by operation of law or by judicial decree on January 1, 2020 or (b) the bankruptcy, dissolution or winding up of the general partner or the occurrence of any other event which would permit a trustee or receiver to acquire control of the general partner. The term of Art Flow may be extended by special resolution passed at least 60 days prior to January 1, 2019. The limited partner represents the non-controlling interest of Art Flow and its liability for debts, liabilities, losses and obligations of Art Flow is limited to the amount of the capital contributed by the limited partner. Prior to January 1, 2017, 0.01% and 99.99% of the net loss/income of Art Flow shall be allocated to the general partner and the limited partner, respectively. Thereafter, 50% of the net income of Art Flow shall be allocated the limited partner (or 50% of net loss to the extent of the limited partner's remaining contributions) and the remaining loss would be allocated to the general partner. The limited partner may elect to redeem its unit from time to time for the artwork generated by Art Flow in the manner determined by the general partner. Each holder of class A unit has a right to receive two prints of artwork designated by the general partner prior to November 30, 2017.

The continuity of the non-controlling interests is summarized below:

	Amount
	\$
Balance, June 30, 2016	-
Non-controlling interests' contributions	140,755
Non-controlling interests' share of loss	(167,056)
Balance, June 30, 2017	(26,301)

The summarized consolidated financial information of Bellini is as follows:

	2017
	\$
As at June 30,	
Current assets	5,616
Current liabilities	(89,145)
Shareholder's deficiency	(83,529)
For the year ended June 30,	
Revenue	-
Net loss and comprehensive loss	(274,284)
Cash flow used in operating activities	(200,191)
Cash flow provided by financing activities	204,255

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12. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	2017	2016
Cash paid for income taxes during the year	\$ -	\$ -
Cash paid for interest during the year	\$ 11,250	\$ -

The Company did not have significant non-cash transactions during the year ended June 30, 2017.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Loss before income taxes	\$ (783,552)	\$ (597,435)
Statutory income tax rate	26.00%	26.00%
Expected income tax recovery at statutory rates	\$ (203,723)	\$ (155,333)
Permanent differences	16,698	1,709
Non-taxable portion of capital (gain) loss	(289)	(5,418)
Unrecognized temporary differences	179,014	163,242
Other	8,300	(4,200)
Total income tax recovery	\$ -	\$ -

Details of deferred income tax assets and liabilities are as follows:

	2017	2016
Non-capital loss carry forwards	\$ 899,602	\$ 683,637
Capital loss carry forwards	252,870	240,078
Investments	76,464	94,216
Other	88,039	120,029
	1,316,975	1,137,960
Unrecognized deferred income tax assets	(1,316,975)	(1,137,960)
Deferred income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$3,460,000. These losses, if not utilized, will expire in various dates from 2028 to 2037. Deferred tax assets which may arise as a result of these non-capital losses and resource deductions have not been recognized in these consolidated financial statements as the Company determined that, as at June 30, 2017, their realization is uncertain.

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14. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments as follows: other receivables, due from related parties, loan receivables as loans and receivables and measured at amortized cost; cash and investments are measured at fair value through profit or loss; and accounts payable and loan payables are classified as other financial liabilities and measured at amortized cost. The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value on the recurring basis are summarized in levels of fair value hierarchy as follows:

<u>June 30, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	\$ 49,674	\$ -	\$ -	\$ 49,674
Investments	\$ 24,706	\$ -	\$ 118,489	\$ 143,195
<hr/>				
<u>June 30, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets</u>				
Cash	\$ 150,746	\$ -	\$ -	\$ 150,746
Investments	\$ 90,840	\$ -	\$ 368,489	\$ 459,329

Level 3 investments consist of equity instruments that do not have a quoted price in an active market.

14. FINANCIAL INSTRUMENTS (continued)

Fair Value (continued)

The following table presents the changes in recurring fair value measurements categorized at Level 3:

	<i>Equity securities of private companies</i>	
July 1, 2015	\$	289,496
Transfer into Level 3		30,000
Change in fair value		48,993
June 30, 2016		368,489
Securities sold		(250,000)
June 30, 2017	\$	118,489

Risk management

The Company's financial instruments and risk exposures are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash is minimal as it is held with high-credit quality financial institutions. The Company's credit exposure to loan receivable from CICINO is equal to its carrying amount. The Company has reviewed the financial conditions of CICINO and made a provision of \$685,000 towards the loan as at June 30, 2017. The Company manages credit risk on its investments through thoughtful planning, strict investment selection criteria and significant due diligence of investment opportunities. Management and the Board of Directors review the financial condition of the investee companies regularly.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's financial liabilities include accounts payable and accrued liabilities and loan payables.

The Company generates cash flows primarily from equity financings, management fees and from the disposition of its investments. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's investments focus on renewable energy, natural resources, chemicals, agriculture and consumer retail services. These investments can at times be relatively illiquid, and if the Company decides to dispose of certain securities, it may not be able to do so at favorable prices at that time, or at all.

14. FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as market prices, foreign exchange rates and interest rates. The Company is exposed to market risk through its investments in equity securities.

As at June 30, 2017, 17% of the investments was made up of investments in publicly-traded companies. If security market prices were higher or lower by 5% as at June 30, 2017, the carrying value of its investments and unrealized gains (losses) on investments would be increased or decreased by approximately \$1,235, respectively.

The Company is exposed to foreign exchange rate and interest rate risks to the extent that cash is maintained at the financial institutions. The foreign exchange rate and interest rate risks on cash are not considered significant.

The Company manages market risk by developing a diversified portfolio of investments. The Company has established an investment committee to monitor its investment portfolio on an ongoing basis.

15. CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Company's objectives when managing capital are:

- (a) To ensure that the Company maintains the level of capital necessary to meet its operational requirements;
- (b) To allow the Company to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments;
- (c) To create sustained growth in shareholder value by increasing shareholders' equity and minimizing shareholder dilution; and
- (d) To maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, by realizing proceeds from the disposition of its investments and raising funds through equity financings. There were no changes in the Company's approach to capital management during the year ended June 30, 2017. The Company is not subject to externally imposed capital requirements.

16. OPERATING SEGMENTS

The Company conducts its business as a single operating segment with a focus on investing growth capital in private and public companies in a broad range of sectors. Substantially all of the Company's assets and liabilities are held in Canada and as such the Company only has one reporting segment.

17. CONTINGENT LIABILITIES

The Company has been named as one of the defendants in a claim filed with the Supreme Court of British Columbia on April 21, 2016 by one of the CICINO shareholders who owns 2,500,000 preferred voting shares (the "Plaintiff"). The Plaintiff alleged to be misled into the investment in CICINO in the amount of \$1,000,000. Among other things, the Plaintiff seeks for general damages, special damages and special costs from the Company. The Company believes that the claim has no merit and intends to vigorously defend the action.

One of the loan lenders holding \$300,000 loan principal filed a claim with the Supreme Court of British Columbia on February 16, 2017 claiming that permission the Company to settle the debt in the form of the Company's common share was a misrepresentation and demanding for immediate payment of the loan principal and the related interest for a total of \$311,250. The loan principal and the related accrued interest have been included in the consolidated financial statements for the year ended June 30, 2017 (see Note 7).