



## **URBAN SELECT CAPITAL CORPORATION**

### CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended September 30, 2018

(Unaudited)

(Expressed in Canadian dollars unless otherwise stated)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT**

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

	September 30, 2018	June 30, 2018
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	142,859	227,251
Other receivables	14,190	10,141
Prepaid expenses and deposits	55,514	39,850
Inventories	12,204	-
Investments (Note 3)	22,666	28,913
	<u>247,433</u>	<u>306,155</u>
<b>Non-current Assets</b>		
Investments (Note 3)	44,748	44,748
Equipment (Note 4)	3,948	2,833
	<u>48,696</u>	<u>47,581</u>
<b>Total Assets</b>	<u>296,129</u>	<u>353,736</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	471,635	368,372
Loan payables (Note 6)	347,825	347,825
<b>Total Liabilities</b>	<u>819,460</u>	<u>716,197</u>
<b>Equity</b>		
<b>Shareholder's equity</b>		
Share capital (Note 7)	4,840,799	4,840,799
Share-based payments reserve (Note 8)	1,208,208	1,208,208
Deficit	(6,546,368)	(6,385,655)
<b>Total shareholder's (deficiency) equity</b>	<u>(497,361)</u>	<u>(336,648)</u>
<b>Non-controlling interests</b> (Note 10)	<u>(25,970)</u>	<u>(25,813)</u>
<b>Total equity</b>	<u>(523,331)</u>	<u>(362,461)</u>
<b>Total Liabilities and Equity</b>	<u>296,129</u>	<u>353,736</u>

Going concern (Note 1)  
Contingent liabilities (Note 14)

These condensed interim consolidated financial statements were authorized for issue by the board of directors on November 27, 2018 and were signed on its behalf by

“Min Kuang”  
\_\_\_\_\_  
Director

“David Yoo”  
\_\_\_\_\_  
Director

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

**URBAN SELECT CAPITAL CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Expressed in Canadian dollars unless otherwise stated)

	Three months ended	
	September 30, 2018	September 30, 2017
	\$	\$
<b>REVENUES</b>		
Unrealized loss on investments	(6,247)	(3,639)
Dividend and interest income	-	(291)
Advisory income	-	75,746
Other income	11,208	-
	<u>4,961</u>	<u>71,816</u>
<b>EXPENSES</b>		
Accounting and audit	2,500	2,500
Artwork production fees	-	2,782
Consulting (Note 9)	21,250	8,907
Depreciation	315	581
Filing and transfer agent fees	10,463	1,333
Foreign exchange loss	4	8
Interest expense	3,951	7,378
Legal	16,611	9,289
Office and miscellaneous	5,646	1,628
Public relations and conferences	53,459	-
Rent	11,131	7,706
Travel and promotion	4,309	-
Wages and salaries	36,192	10,425
	<u>(165,831)</u>	<u>(52,537)</u>
<b>Net income (loss) and total comprehensive income (loss) for the period</b>	<u>(160,870)</u>	<u>19,279</u>
<b>Net income (loss) and comprehensive income (loss) attributable to</b>		
Equity holders of the Company	(160,713)	20,815
Non-controlling interest	(157)	(1,536)
	<u>(160,870)</u>	<u>19,279</u>
<b>Basic and diluted income (loss) per share attributable to equity holders of the Company</b>	<u>(0.00)</u>	<u>0.00</u>
<b>Weighted average number of common shares outstanding</b>	<u>48,203,000</u>	<u>40,903,000</u>

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

**URBAN SELECT CAPITAL CORPORATION****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars unless otherwise stated)

	<b>Number of shares</b>	<b>Share capital</b>	<b>Share-based payments reserve</b>	<b>Deficit</b>	<b>Non- controlling interests (Note 10)</b>	<b>Total equity</b>
		\$	\$	\$	\$	\$
Balance, July 1, 2018	48,203,000	4,840,799	1,208,208	(6,385,655)	(25,813)	(362,461)
Shares issued in private placement:						
Gross proceeds	-	-	-	-	-	-
Share issuance costs	-	-	-	-	-	-
Comprehensive income						
Total comprehensive income (loss) for the period	-	-	-	(160,713)	(157)	(160,870)
<b>Balance, September 30, 2018</b>	<b>48,203,000</b>	<b>4,840,799</b>	<b>1,208,208</b>	<b>(6,546,368)</b>	<b>(25,970)</b>	<b>(523,331)</b>
Balance, July 1, 2017	40,903,000	4,504,999	1,208,208	(6,182,657)	(26,301)	(495,751)
Comprehensive loss						
Total comprehensive income (loss) for the period	-	-	-	20,815	(1,536)	19,279
<b>Balance, September 30, 2017</b>	<b>40,903,000</b>	<b>4,504,999</b>	<b>1,208,208</b>	<b>(6,161,842)</b>	<b>(27,837)</b>	<b>(476,472)</b>

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

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

	Three months ended	
	September 30, 2018	September 30, 2017
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	(160,870)	19,279
Items not affecting cash:		
Depreciation	315	581
Unrealized (gain) loss on investments	6,247	3,639
Changes in non-cash working capital items:		
Other receivables	(4,049)	114
Prepaid expenses and deposits	(15,664)	10,470
Inventories	(12,204)	-
Accounts payable and accrued liabilities	63,263	3,844
Cash used in operating activities	<u>(122,962)</u>	<u>37,927</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(1,430)	-
Cash used in investing activities	<u>(1,430)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Refundable deposits	70,000	-
Settlement of loan guarantee	(30,000)	-
Cash provided by financing activities	<u>40,000</u>	<u>-</u>
<b>Change in cash during the period</b>	<b>(84,392)</b>	<b>37,927</b>
<b>Cash and cash equivalents, beginning of the period</b>	<b>227,251</b>	<b>49,674</b>
<b>Cash and cash equivalents, end of the period</b>	<b><u>142,859</u></b>	<b><u>87,601</u></b>

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

## **URBAN SELECT CAPITAL CORPORATION**

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

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### **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 in private and public companies in a broad range of sectors including fintech, education, natural resources, healthcare and consumer retail services. The common shares of the Company are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “CH”.

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 \$6,546,368 as at September 30, 2018. As at September 30, 2018, the Company has a working capital deficiency of \$572,027. 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 condensed interim consolidated financial statements do not include adjustments that would be required if going concern is not an appropriate basis for preparation of these condensed interim consolidated financial statements. These adjustments could be material.

Operating results for the three months ended September 30, 2018, are not necessarily indicative of the results that may be expected for the year ending June 30, 2019.

### **2. BASIS OF PREPARATION**

#### **Statement of compliance**

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018. These condensed interim consolidated financial statements follow the same basis of preparation set out in Note 2 and significant accounting policies set out in Note 3 to the audited consolidated financial statements for the year ended June 30, 2018.

## URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

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### 2. BASIS OF PREPARATION (continued)

#### 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 Fine Art Inc. ("Bellini"), an entity incorporated on August 2, 2016 under the laws of British Columbia, Canada. Bellini is the general partner of Art Flow Through Limited Partnership ("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 manage 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 September 30, 2018 and the operations of Bellini and Art Flow for the three months ended September 30, 2018.

During the year ended June 30, 2018, the Company incorporated 1137182 B.C. Ltd. ("1137182"), 1137188 B.C. Ltd. ("1137188"), 1151555 B.C. Ltd. ("1151555"), 1151556 B.C. Ltd. ("1151556"), 1151560 B.C. Ltd. ("1151560"), 1151561 B.C. Ltd. ("1151561"), and 1151559 B.C. Ltd. which was subsequently renamed as Pinmo Blockchain Corp. ("Pinmo") and then renamed as IBank Digital Asset Corporation ("IBank"), for the purpose of completion a plan of arrangement and therefore each of these entities would become a reporting issuer in British Columbia and Alberta. On December 13, 2017, Company entered into an amended and restated plan of arrangement (the "A&R Arrangement") with respect to 1137188 whereby one of the creditors of the Company would receive 1137188 in settlement of all amounts owing to this creditor. The plan of arrangement with respect to 1137182 and the A&R Arrangement with respect to 1137188 was approved by the Supreme Court of British Columbia on December 18, 2017. On January 11, 2018, the Company entered into a mutual release agreement with the creditor whereby the Company and the creditor mutually agree to terminate the loan agreement and discharge all actions and claims related to the loan, and the creditor received 1137188 during the year ended June 30, 2018. The plan of arrangement with respect to 1151555, 1151556, 1151560, 1151561 and IBank was approved by the Supreme Court of British Columbia on March 19, 2018.

These consolidated financial statements incorporate the accounts and operations of Bellini, Art Flow, 1137182, 1151555, 1151556, 1151560, 1151561 and IBank for the three months ended September 30, 2018. 1151555, 1151556, 1151560 and 1151561 are inactive during the three months ended September 30, 2018.

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.

**URBAN SELECT CAPITAL CORPORATION**

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

**3. 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
		\$	\$
<b>Common shares of publicly traded companies</b>			
Investments in common shares of public entities		369,382	22,666
<b>Common shares of privately held companies</b>			
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	-
Lions Bay Holding Inc.	500,000	25,000	25,000
Yaletown Energy Capital Corp.	394,962	-	-
		356,996	44,748
<b>Preferred shares of privately held companies</b>			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		386,996	44,748
Balance, September 30, 2018		756,378	67,414
	Number of Shares	Average Cost	Fair Value
		\$	\$
<b>Common shares of publicly traded companies</b>			
Investments in common shares of public entities		369,382	28,913
<b>Common shares of privately held companies</b>			
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	-
Lions Bay Holding Inc.	500,000	25,000	25,000
Yaletown Energy Capital Corp.	394,962	-	-
		356,996	44,748
<b>Preferred shares of privately held companies</b>			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		386,996	44,748
Balance, June 30, 2018		756,378	73,661

For the three months ended September 30, 2018, the Company recorded an unrealized loss of \$6,247 (2017 - \$3,639) as a result of a change in fair value of its investments.

**URBAN SELECT CAPITAL CORPORATION**  
Notes to Condensed Interim Consolidated Financial Statements  
(Unaudited, expressed in Canadian dollars unless otherwise stated)

**4. EQUIPMENT**

	Computer equipment	Computer software	Office furniture	Total
	\$	\$	\$	\$
<b>Cost</b>				
Balance as at June 30, 2018	9,325	856	3,018	13,199
Additions	1,430	-	-	1,430
Balance as at September 30, 2018	10,755	856	3,018	14,629
<b>Accumulated depreciation</b>				
Balance as at June 30, 2018	8,403	856	1,107	10,366
Depreciation	164	-	151	315
Balance as at September 30, 2018	8,567	856	1,258	10,681
Carrying amount as at September 30, 2018	2,188	-	1,760	3,948
<b>Cost</b>				
Balance as at June 30, 2017	9,325	856	3,018	13,199
Additions	-	-	-	-
Balance as at June 30, 2018	9,325	856	3,018	13,199
<b>Accumulated depreciation</b>				
Balance as at June 30, 2017	7,250	856	503	8,609
Depreciation	1,153	-	604	1,757
Balance as at June 30, 2018	8,403	856	1,107	10,366
Carrying amount as at June 30, 2018	922	-	1,911	2,833

## URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

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### 5. LOAN RECEIVABLES

Since fiscal year 2016, the Company made advance of \$715,000 to CICINO Corporation (“CICINO”), an investee company of which the Company’s Chief Executive Officer (the “CEO”) is a shareholder of CICINO, and was also the president and director of CICINO until December 31, 2016. 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. 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 September 30, 2018, the total amount of loan principal outstanding was \$685,000 (June 30, 2018 - \$685,000), 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 September 30, 2018, the carrying amount of loan receivables from CICINO, net of a provision of \$685,000, was \$Nil (June 30, 2018 - \$Nil). As at September 30, 2018, loan interest receivable from CICINO in the amount of \$91,314 (June 30, 2018 - \$82,303) has not been accrued. The fair value of the conversion feature embedded in the loan agreements is not material.

## **6. LOAN PAYABLES**

On December 11, 2015, the Company signed a loan agreement in the amount of \$150,000 with a creditor. Interest has been accrued 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. On January 19, 2016, the Company entered into another loan agreement in the amount of \$150,000 with the same creditor. Interest has been accrued 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. The aggregate loan principal of \$300,000 and related accrued interest of \$42,515 is outstanding as at September 30, 2018. On March 21, 2018, the Board of Directors of the Company has approved a proposed share for debt settlement with this creditor, providing for the settlement of all debts and unpaid interest through the issuance of an aggregate of 6,600,000 common shares of the Company at an issue price of \$0.05 per common share. The shares for debt settlement has not been completed as at September 30, 2018 and is subject to approval of the TSX Venture Exchange.

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 matured 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. This loan and related accrued interest of \$1,250 is outstanding as at September 30, 2018.

On April 15, 2017, the Company issued a promissory note in the amount of \$45,000 to the CEO, who is also a director of the Company. The loan is unsecured, non-interest bearing and repayable on demand. During the year ended June 30, 2018, the Company repaid \$10,675 to the CEO and the outstanding balance on September 30, 2018 is \$34,325 (June 30, 2018 - \$34,325). On March 21, 2018, the Board of Directors of the Company has approved a proposed share for debt settlement with the CEO, providing for the settlement of the promissory note through the issuance of an aggregate of 686,503 common shares of the Company at an issue price of \$0.05 per common share. The shares for debt settlement has not completed and it is subject to approval of the TSX Venture Exchange.

As at September 30, 2018, loan interest payable in the amount of \$43,765 (June 30, 2018 - \$39,814) is included in the accounts payable and accrued liabilities.

## **7. SHARE CAPITAL**

### **Authorized share capital**

The Company is authorized to issue unlimited number of common shares without par value and 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 three months ended September 30, 2018 (2017 - Nil).

**8. SHARE-BASED PAYMENTS**

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.

No stock options were granted during the three months ended September 30, 2018 and 2017. All stock options granted in prior years were fully vested and the Company did not have share-based compensation during the three months ended September 30, 2018 and 2017.

**9. RELATED PARTY TRANSACTIONS**

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 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), the CEO and Chief Financial Officer (the "CFO") of the Company. The compensation paid or payable to key management personnel is as follows:

	Three months ended	
	September 30, 2018	September 30, 2017
	\$	\$
Consulting fees (a)	20,250	8,250

Key management personnel were not paid any termination payments, post-employment benefits or other long-term benefits during the three months ended September 30, 2018 and 2017.

The Company entered into the following transactions with related parties during the three months ended September 30, 2018 and 2017:

- (a) The Company paid its CEO, who is also a director of the Company, \$6,000 per month for the management consulting services rendered. During the three months ended September 30, 2018, the Company incurred total consulting fee of \$18,000 (2018 - \$6,000) to the CEO and \$2,250 (2017 - \$2,250) to the CFO, who is also a director of the Company, respectively.
- (b) The Company entered into an agreement with the CEO 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.
- (c) During the year ended June 30, 2018, the CEO entered into settlement agreements with certain lenders for loans granted to CICINO, of which the CEO provided personal guarantees on some of these loans. The Company agreed to reimburse the CEO for the settlement, aggregate to \$165,399, of which \$53,267 has been paid by the Company and the remaining \$112,132 (June 30, 2018 - \$143,132) is included in the accounts payable and accrued liabilities as at September 30, 2018.

**9. RELATED PARTY TRANSACTIONS (continued)**

The balance of due to related parties as at September 30, 2018 is included in the accounts payable and accrued liabilities, and is comprised of:

- \$17,325 (June 30, 2018 - \$17,325) representing the unpaid consulting fee owed to a company controlled by the CEO, who is also a director of the Company.
- \$750 (June 30, 2018 - \$750) representing the unpaid consulting fee owed to the CFO of the Company.
- \$44,100 (June 30, 2018 - \$50,400) representing the unpaid consulting fee owed to the CEO of the Company.
- \$17,525 (June 30, 2018 - \$11,744) representing advance made by the CEO of the Company. The advance is unsecured, non-interest bearing, and has no specific terms of repayment.
- \$112,132 (June 30, 2018 - \$142,132) representing reimbursement to the CEO of the Company for the settlement of personal guarantees on loans to CICINO.

**10. 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 three months ended September 30, 2018 and 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 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 US\$10. The future limited partner may acquire the unit at a price of US\$10,000 or such other amount as is approved in accordance with the Limited Partnership Agreement. In December 2016, Art Flow issued additional 5 units for US\$50,000. As at September 30, 2018, Art Flow has 5 (June 30, 2018 - 5) class A units and 6 (June 30, 2018 - 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:

	\$
Balance, July 1, 2017	(26,301)
Non-controlling interest's share of loss	(1,536)
Balance, September 30, 2017	(27,837)
Non-controlling interest's share of income	2,024
Balance, June 30, 2018	(25,813)
Non-controlling interest's share of loss	(157)
Balance, September 30, 2018	(25,970)

**URBAN SELECT CAPITAL CORPORATION**  
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(Unaudited, expressed in Canadian dollars unless otherwise stated)

**10. NON-CONTROLLING INTERESTS (continued)**

The summarized consolidated financial information of Bellini is as follows:

	September 30, 2018	June 30, 2018
	\$	\$
Current assets	3,973	4,436
Current liabilities	(86,577)	(86,722)
Shareholder's deficiency	(82,603)	(82,286)
Three months ended		
	September 30, 2018	September 30, 2017
	\$	\$
Revenue	-	-
Net loss and comprehensive loss	(317)	(3,073)
Cash flow provided by (used) in operating activities	(462)	1,292
Cash flow provided by financing activities	-	-

**11. FINANCIAL INSTRUMENTS**

The Company classifies its financial instruments as follows: other receivables and 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:

September 30, 2018	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Cash	\$ 142,859	\$ -	\$ -	\$ 142,859
Investments	\$ 22,666	\$ -	\$ 44,748	\$ 67,414
<b>June 30, 2018</b>				
<b>Financial assets</b>				
Cash	\$ 227,251	\$ -	\$ -	\$ 227,251
Investments	\$ 28,913	\$ -	\$ 44,748	\$ 73,661

**11. FINANCIAL INSTRUMENTS (continued)**

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

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

	Equity securities of private companies	
July 1, 2017 and September 30, 2017	\$	118,489
Securities purchased		25,000
Fair value adjustment		(98,741)
June 30, 2018 and September 30, 2018	\$	44,748

**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 counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash are minimal as it is held with high-credit quality financial institutions. The Company's credit exposure to loan receivables from CICINO is equal to its carrying amount. The Company has reviewed the financial conditions of CICINO and maintained a provision of \$685,000 towards the loan as at September 30, 2018. 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 favourable prices at that time, or at all.

*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 September 30, 2018, 34% of the investments were made up of investment in publicly-traded companies. If security market prices were higher or lower by 5% as at September 30, 2018, the carrying value of its investments and unrealized gains (losses) on investments would be increased or decreased by approximately \$1,133, 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.

**12. 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 three months ended September 30, 2018. The Company is not subject to externally imposed capital requirements.

**13. 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.

**14. 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.