

Condensed Interim Consolidated Financial Statements

URBANFUND CORP.

As at and for the three-month and nine-month periods
ended September 30, 2016

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Urbanfund Corp. (the "Company") are the responsibility of management. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements.

Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with *International Accounting Standard 34 - Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management has established processes, which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that:

- (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements; and
- (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements. The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities.

An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an independent auditor. 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 unaudited condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by the Company's auditor.

Mitchell Cohen
Director

Thomas Kofman
Director

November 29, 2016
Toronto, Ontario

Urbanfund Corp.

Condensed Interim Consolidated Statements of Financial Position

(in Canadian dollars)

As at	Note	September 30, 2016	December 31, 2015
Assets			
Non-current			
Investment properties	5	\$ 48,260,000	\$ 41,860,000
Properties under development	6	2,461,749	4,065,489
Equity interest in real estate project	7	1,677,333	1,677,333
Investment in private company	8	625,000	502,257
		53,024,082	48,105,079
Current			
Cash and cash equivalents	9	8,303,915	7,675,268
Other assets	10	722,857	295,107
Marketable securities	11	336,974	323,884
Income taxes recoverable		15,274	73,498
Total Assets		\$ 62,403,102	\$ 56,472,836
Liabilities			
Non-current			
Mortgages payable	16	\$ 25,627,233	\$ 23,404,231
Deferred income taxes		2,498,000	2,378,000
		28,125,233	25,782,231
Current			
Accounts payable and accrued liabilities		617,771	756,702
Tenant deposits		157,724	117,696
Non-revolving term facility	17	462,400	-
Current portion of mortgages payable	16	1,705,284	962,537
Total Liabilities		31,068,412	27,619,166
Shareholders' Equity			
Common equity	18	9,923,422	9,772,654
Preferred equity	18	1,113,750	1,113,750
Retained earnings		19,182,992	17,641,997
Equity attributable to Parent		30,220,164	28,528,401
Equity attributable to Non-controlling interests		1,114,526	325,269
Total Shareholders' Equity		31,334,690	28,853,670
Total Liabilities and Shareholders' Equity		\$ 62,403,102	\$ 56,472,836

Subsequent event (Note 27)

Approved by the Board

Mitchell Cohen

Director

Thomas Kofman

Director

Urbanfund Corp.

Condensed Interim Consolidated Statements of Income and Comprehensive Income

(in Canadian dollars)

	Note	Three-months ended September 30, 2016	2015	Nine-months ended September 30, 2016	2015
Revenue					
Rental revenue		\$ 1,254,331	\$ 1,149,350	\$ 3,675,433	\$ 3,521,231
Expenses					
Rental expenses		679,981	602,235	2,015,376	1,806,832
Net rental income		574,350	547,115	1,660,057	1,714,399
Other income (expenses)					
Financing costs		(234,767)	(248,589)	(686,456)	(680,442)
General and administrative costs		(100,484)	(112,314)	(201,306)	(310,202)
Interest and dividend income		10,241	20,508	35,503	45,301
Fair value adjustment on marketable securities		(13,838)	(40,766)	14,496	11,352
Unrealized gain (loss) on foreign currency translation		437	95,726	(2,929)	186,598
Realized loss on foreign currency translation		-	-	(94,700)	-
Fair value adjustment on investment properties	5	(12,265)	(125,841)	1,744,396	(265,662)
Realized gain on disposal of investment property	5	-	773,857	-	773,857
		(350,676)	362,581	809,004	(239,198)
Income before income taxes		223,674	909,696	2,469,061	1,475,201
Income taxes					
Deferred		39,000	147,403	120,000	206,212
Net income and comprehensive income		\$ 184,674	\$ 762,293	\$ 2,349,061	\$ 1,268,989
Attributable to:					
Owners of parent		191,822	812,819	1,745,276	1,319,515
Non-controlling interests		(7,148)	(50,526)	603,785	(50,526)
Net income and comprehensive income		\$ 184,674	\$ 762,293	\$ 2,349,061	\$ 1,268,989
Net income per share attributable to owners of parent					
Basic income per share	21	\$ 0.004	\$ 0.017	\$ 0.040	\$ 0.029
Diluted income per share	21	\$ 0.004	\$ 0.015	\$ 0.034	\$ 0.025

Urbanfund Corp.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(in Canadian dollars, except number of shares)

	Note	Common Shares		Preferred Shares - Series A		Retained Earnings	Non-controlling interests	Total
		Number of Shares	Share Capital	Number of Shares	Share Capital			
January 1, 2016		43,751,756	\$ 9,772,654	7,425,000	\$ 1,113,750	\$ 17,641,997	\$ 325,269	\$ 28,853,670
Acquisitions of interests in the limited partnership		-	-	-	-	-	185,472	185,472
Net income and comprehensive income for the period		-	-	-	-	1,745,276	603,785	2,349,061
Dividends paid	20	-	-	-	-	(25,119)	-	(25,119)
Dividends payable	20	-	-	-	-	(64,699)	-	(64,699)
Dividend reinvestment plan	20	582,925	150,768	-	-	(114,463)	-	36,305
September 30, 2016		44,334,681	\$ 9,923,422	7,425,000	\$ 1,113,750	\$ 19,182,992	\$ 1,114,526	\$ 31,334,690

	Note	Common Shares		Preferred Shares - Series A		Retained Earnings	Non-controlling interests	Total
		Number of Shares	Share Capital	Number of Shares	Share Capital			
January 1, 2015		43,572,684	\$ 9,735,101	7,425,000	\$ 1,113,750	\$ 14,549,209	\$ -	\$ 25,398,060
Acquisition of interests in the limited partnership		-	-	-	-	-	128,000	128,000
Net income and comprehensive income for the period		-	-	-	-	1,319,515	(50,526)	1,268,989
Dividends paid	20	-	-	-	-	(26,921)	-	(26,921)
Dividend reinvestment plan	20	131,766	37,553	-	-	(36,826)	-	727
September 30, 2015		43,704,450	9,772,654	7,425,000	\$ 1,113,750	\$ 15,804,977	\$ 77,474	\$ 26,768,855

See the accompanying notes to the unaudited condensed interim consolidated financial statements.

Urbanfund Corp.

Condensed Interim Consolidated Statements of Cash Flows

(in Canadian dollars)

	Note	Three-months ended September 30,		Nine-months ended September 30,	
		2016	2015	2016	2015
<i>Cash provided by (used in)</i>					
Operations					
Net income and comprehensive income		\$ 184,674	\$ 762,293	\$ 2,349,061	\$ 1,268,989
<i>Items not affecting cash</i>					
Deferred tax expense		39,000	147,403	120,000	206,212
Fair value adjustment on marketable securities		13,838	40,766	(14,496)	(11,352)
Unrealized (gain) loss on foreign currency translation		(437)	(95,726)	2,929	(186,598)
Fair value adjustment on investment properties		12,265	125,841	(1,744,396)	265,662
Interest and dividend income		10,241	20,508	35,503	45,301
Financing costs		234,767	248,589	686,456	680,442
Realized gain on disposal of investment property		-	(773,857)	-	(773,857)
		494,348	475,817	1,435,057	1,494,799
<i>Net changes in non-cash working capital</i>					
Other assets		(218,193)	130,411	(427,750)	23,569
Accounts payable and accrued liabilities		182,148	131,146	(138,931)	116,501
Tenant deposits		13,503	(4,805)	40,028	3,116
Interest received		7,984	10,069	35,503	45,300
Interest paid		(466,168)	(279,166)	(738,767)	(771,043)
		13,622	463,472	205,140	912,242
Investing					
Net additions to investment properties	5	(12,265)	(229,824)	(19,728)	(369,645)
Proceeds on disposal of investment property	5	-	1,100,000	-	1,100,000
Acquisition of investment property	4, 5	-	(2,400,000)	-	(2,400,000)
Acquisitions of properties under development	4, 6	-	-	(1,155,000)	-
Net additions to properties under development		(401,901)	-	(1,579,593)	-
Advances to investment in private company		-	-	(125,000)	(250,000)
Disposal of marketable securities		-	-	16,861	-
Purchase of marketable securities		-	220,022	-	62,148
		(414,166)	(1,309,802)	(2,862,460)	(1,857,497)
Financing					
Proceeds from mortgage payable, net of financing costs		5,436,045	1,852,388	7,470,278	14,075,915
Repayment of mortgages payable		(3,420,734)	(1,114,252)	(4,507,129)	(9,535,026)
Proceeds from non-revolving term facility, net of financing costs	17	462,400	-	462,400	-
Dividends paid	20	(12,515)	(26,194)	(25,119)	(26,194)
Issuance of common shares, net of financing costs	20	(15,662)	-	(114,463)	-
		2,449,534	711,942	3,285,967	4,514,695
Net change in cash and cash equivalents		2,048,990	(134,388)	628,647	3,569,440
Cash and cash equivalents, beginning of period		6,254,925	8,445,358	7,675,268	4,741,530
Cash and cash equivalents, end of period	9	\$ 8,303,915	\$ 8,310,970	\$ 8,303,915	\$ 8,310,970

See the accompanying notes to the unaudited condensed interim consolidated financial statements.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

1. NATURE OF OPERATIONS

Urbanfund Corp. (the “Company”) is a real estate development and operating company with focus to identify, evaluate and invest in real estate and real estate related projects.

The Company was incorporated on February 4, 1997, pursuant to the provisions of the Business Corporations Act of Alberta. In 2003, the Company filed Articles of Continuance allowing operations to continue under the laws of the Province of Ontario and the Business Corporations Act of Ontario to the same extent as if it has been incorporated thereunder.

The registered and head office of the Company is located at 35 Lesmill Road, Toronto, Ontario M3B 2T3.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* (“IAS 34”), as issued by the International Accounting Standards Board (“IASB”). Under International Financial Reporting Standards (“IFRS”), additional disclosures are required in annual financial statements and therefore, these condensed interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the years ended December 31, 2015 and 2014.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 29, 2016.

Basis of presentation

The condensed interim consolidated financial statements are prepared on a historical cost basis except for investment properties (Note 5) and marketable securities (Note 11) which have been stated at fair value. The condensed interim consolidated financial statements are presented in Canadian dollars, which is also the Company’s functional currency.

Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiary, 1306227 Ontario Inc., Weber Investments Limited Partnership (Note 13), Weber Investments Limited Partnership 2 (Note 14), Weber Investments Limited Partnership 3 (Note 15) and its share of the assets, liabilities, revenues and expenses of the Quebec Headway joint operation (Note 12).

Non-controlling interests

Non-controlling interests represent the non-controlling shareholders’ proportion of net assets or the net identifiable assets on the acquisition of subsidiaries, adjusted subsequently for their proportionate interest in the comprehensive income or loss of the subsidiaries and distributions. The non-controlling interests are presented as equity separately from the equity attributable to the shareholders of the Company. Transactions with non-controlling interests by the Company that do not result in a loss of control are accounted for as equity transactions.

A disposal of rights in a subsidiary that does not result in a loss of control, results in an increase or decrease within equity of the difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary, also taking into account any amounts which have been recognized in income and comprehensive income, if any, based on the decrease in the interests in the subsidiary. Transaction costs with respect to non-controlling interests are also recorded in equity.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

2. BASIS OF PREPARATION (Continued)

Critical judgments and estimates

The preparation of the condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may 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 and in any future periods affected. Significant estimates and judgments made by management are summarized below.

i) Investment properties:

The critical assumptions and estimates used when determining the fair value of investment properties are capitalization rates and stabilized net operating income. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized net operating income of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows related to such current and future leases.

ii) Properties under development:

Initial capitalization of costs requires management's judgment in determining when the project commences with active development and identifying at which time a development property is substantially completed. This amount includes capitalized common area maintenance, property taxes and borrowing costs on both specific and general debt.

iii) Leases:

The Company makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or financing leases under IAS 17, Leases. The Company has determined on the basis of analysis of the criteria under IAS 17 against the lease agreements, that all of its leases are operating leases.

iv) Accounting for acquisitions:

Management of the Company must assess whether the acquisition of a property should be accounted for as an asset purchase or a business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of costs associated with the acquisition and whether or not goodwill is recognized. The Company's acquisitions have been determined to be asset purchases as the Company has not acquired an integrated set of processes as part of the acquisition transaction.

v) Income taxes:

The Company applies judgment in determining the tax rates applicable to the temporary differences to determine the provision for income taxes. Deferred taxes relates to temporary differences arising from its subsidiaries and are measured based using tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences between accounting and tax asset values that are expected to be deductible or taxable in the future.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)
(in Canadian dollars)

3. FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory at certain future dates. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Company.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 11 - Joint Arrangements

IFRS 11, Joint Arrangements was amended by the IASB in May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 16 - Leases

IFRS 16, Leases was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

4. ACQUISITIONS

Through Weber Investments Limited Partnership 2 (Note 14) and Weber Investments Limited Partnership 3 (Note 15) the following asset acquisitions were completed during the period ended September 30, 2016. The fair value of consideration has been allocated to the identifiable assets acquired based on their fair values at the date of acquisition, as follows:

	59, 61, 65 Weber St. Kitchener	65 Roy St. Kitchener
Acquisition date	Jan 20, 2016	Feb 5, 2016
Net assets acquired:		
Properties under development (Note 6)	\$ 1,250,000	\$ 530,000
Consideration funded by way of:		
Cash disbursement	\$ 625,000	\$ 530,000
Mortgage payable	625,000	-
	\$ 1,250,000	\$ 530,000

Through Weber Investments Limited Partnership (Note 13), the following asset acquisitions were completed during the year ended December 31, 2015. The fair value of consideration has been allocated to the identifiable assets acquired based on their fair values at the date of acquisition, as follows:

	48 Weber St. Kitchener	61 Roy St. Kitchener
Acquisition date	July 27, 2015	Oct 23, 2015
Net assets acquired:		
Properties under development (Note 6)	\$ 2,400,000	\$ 400,000
Consideration funded by way of:		
Cash disbursement	\$ 600,000	\$ 400,000
Mortgage payable	1,800,000	-
	\$ 2,400,000	\$ 400,000

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

5. INVESTMENT PROPERTIES

Movements in investment properties are as follows:

	Commercial Properties	Residential Properties	Total
Balance, January 1, 2015	\$ 16,500,000	\$ 23,500,000	\$ 38,000,000
Dispositions	-	(306,023)	(306,023)
Capital improvements	-	220,697	220,697
Fair value adjustment on investment properties	1,167,145	778,181	1,945,326
Balance, December 31, 2015	17,667,145	24,192,855	41,860,000
Capital improvements	-	19,728	19,728
Transfers from properties under development (Note 6)	-	4,635,876	4,635,876
Fair value adjustment on investment properties (i)	-	1,744,396	1,744,396
Balance, September 30, 2016	\$ 17,667,145	\$ 30,592,855	\$ 48,260,000

(i) Transfers from properties under development of \$4,505,876 relate to the substantial completion of construction of 48 Weber St. property through Weber Investment Limited Partnership. The property was subsequently valued by an independent appraiser. This valuation was used by management to derive the fair value as at June 30, 2016.

The Company's management is responsible for determining the fair value of investment properties at each reporting period, including any co-owned properties. The team consists of individuals who are knowledgeable and have industry experience in real estate valuations.

The Company estimates the fair value of each investment property based on a valuation technique known as the direct capitalization income approach. The fair value is determined by applying a capitalization rate to stabilized net operating income ("SNOI"). SNOI is based on rents and expenses supported by terms of any existing lease, other contracts or external evidence, such as current market rents for similar properties, adjusted to incorporate allowances for estimated vacancy rates, management fees and structural reserves for capital expenditures based on current and expected future market conditions.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in rent growth per annum and an opposite change in the long-term vacancy rate. Each of these inputs when increased or decreased, in isolation, would not result in a material change in the fair value of the Company's investment properties. As a result, management does not consider these variables as key inputs in estimating the fair value of investment properties. The capitalization rate is based on the location and quality of the properties and takes into account market data at the valuation date.

Other than the transfer from investment property under development (Note (i)) as at June 30, 2016 and the subsequent fair value adjustment, there have been no significant changes in the underlying facts and assumptions impacting the valuations of the investment properties since December 31, 2015, consequently, there have been no other adjustments to the fair value of the investment properties.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

5. INVESTMENT PROPERTIES (Continued)

The following table summarizes the classification, valuation approach and inter-relationship between the key unobservable inputs and the fair value measurements of the Company's investment properties:

Classification	Valuation approach	Key unobservable input	Relationship between key unobservable inputs and fair value measurement
Investment properties	Direct capitalization income approach	Capitalization rate	Inverse relationship between the capitalization rate and the fair value; the higher the capitalization rate, the lower the estimated value.
		SNOI	Generally, an increase in SNOI will result in an increase in the estimated fair value of the properties.

The key valuation metrics for commercial and residential properties are set out as follows:

	Maximum	Minimum	Weighted-Average
Capitalization rate:			
As at December 31, 2015	7.00%	4.64%	5.72%
As at September 30, 2016	7.00%	4.64%	5.03%

The fair values of the Company's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates and SNOI would result in a change to the estimated fair value of the Company's investment properties as set out in the following table:

	Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2015:			
Capitalization rate, decrease, 0.25%	\$ 1,358,300	\$ 1,794,800	\$ 2,232,100
Capitalization rate, as reported	(582,200)	-	251,700
Capitalization rate, increase, 0.25%	\$ (2,352,200)	\$ (1,953,200)	\$ (1,555,200)
As at September 30, 2016:			
Capitalization rate, decrease, 0.25%	\$ 1,774,800	\$ 2,281,600	\$ 2,789,200
Capitalization rate, as reported	(484,500)	-	468,700
Capitalization rate, increase, 0.25%	\$ (2,543,900)	\$ (2,080,300)	\$ (1,616,700)

On July 30, 2015, the Company's joint operation (Note 12) disposed of one of the properties, Place Concordia, which is located at 825 and 2835 Rue de la Concord and 2840 Rue Emile Bouchard, in Quebec City, Quebec ("Place Concordia"). Place Concordia was sold for aggregate proceeds of \$11,000,000 and the Company's share of the proceeds was \$1,100,000, which resulted in a gain on disposal of \$773,857, net of costs.

6. PROPERTIES UNDER DEVELOPMENT

Properties under development include the acquisitions through Weber Investments Limited Partnership 2 (Note 14), and Weber Investments Limited Partnership 3 (Note 15). As at September 30, 2016, the properties under development are measured at cost, as price quotations are not current and the fair value based on SNOI is not reliably measurable. The Company anticipates that the fair value of properties under development becomes more reliably measurable when construction is substantially completed.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine-month period ended September 30, 2016 (*Unaudited*)

(in Canadian dollars)

6. PROPERTIES UNDER DEVELOPMENT (Continued)

Movements in properties under development are as follows:

Balance, January 1, 2015	\$	-
Acquisition of investment properties (Note 4)		2,800,000
Capitalized costs		1,195,671
Finance costs		69,818
Balance, December 31, 2015	\$	4,065,489
Acquisitions of investment properties (Note 4)		1,780,000
Transfers to investment properties (i)		(4,635,876)
Capitalized costs		1,172,137
Finance costs		79,999
Balance, September 30, 2016	\$	2,461,749

- (i) During the nine-month period ended September 30, 2016, construction on the 48 Weber St. property through Weber Investments Limited Partnership (Note 13) was substantially completed. As such, the carrying value of this property has been transferred to investment properties.

7. EQUITY INTEREST IN REAL ESTATE PROJECT

In September 2009, the Company invested \$2,000,000 for a 10% interest in a private partnership which in turn has a 33.3% interest in the One Bloor Street East Real Estate Project. The Company does not have significant influence, control or joint control over the partnership and accordingly the equity investment is categorized as an available for sale financial instrument.

Since there is no quoted market price in an active market for this investment and its fair value cannot be reliably measured, it is carried at cost, with impairment losses recognized in net income when there is objective evidence that an impairment loss has been incurred. As at September 30, 2016 and December 31, 2015, no events or changes in circumstances had occurred which would lead to impairment in the value of the investment.

8. INVESTMENT IN PRIVATE COMPANY

Equity investment

In 2015, the Company purchased 2,083,333 common shares of the Private Company and 1,041,666 common share purchase warrants for aggregate consideration of \$250,000. The full amount of consideration was allocated to the equity interest in the Private Company with a total of \$Nil being allocated to the common share purchase warrants.

Loan receivable

In 2015, the Company entered into an arrangement with the Private Company to provide it with an operating loan. The arrangement allows the Private Company to draw a maximum of \$500,000 bearing interest at the prime lending rate plus 6%. The Private Company's mortgages receivable are pledged as collateral for the loan. The operating loan matures on February 26, 2018 and is automatically renewed, unless cancelled by either party, until February 26, 2020.

As at September 30, 2016, the Private Company had drawn \$375,000 of the facility (December 31, 2015 – \$250,000). For the nine-month period ended September 30, 2016, the Company recognized \$22,160 of interest income in the condensed interim consolidated statements of income and comprehensive income.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(in Canadian dollars)

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	September 30, 2016	December 31, 2015
Cash	\$ 5,558,187	\$ 4,954,097
Guaranteed Investment Certificate (1.6%, matures June 19, 2017) (i)	2,745,728	2,721,171
	\$ 8,303,915	\$ 7,675,268

(i) The GIC is cashable at any time, without penalty, in whole or in part and therefore is included in cash and cash equivalents.

10. OTHER ASSETS

Other assets consist of the following:

	September 30, 2016	December 31, 2015
Prepaid expenses	\$ 196,590	\$ 75,425
Amounts receivable (Note 22)	139,101	137,167
Accounts receivable	11,724	12,160
Deposits	371,180	57,307
Interest receivable	4,262	13,048
	\$ 722,857	\$ 295,107

11. MARKETABLE SECURITIES

Marketable securities consist of the following:

	Cost	Fair value
Balance, January 1, 2015	\$ 398,963	\$ 320,518
Balance, December 31, 2015	388,927	323,884
Balance, September 30, 2016	\$ 372,066	\$ 336,974

12. QUEBEC HEADWAY JOINT OPERATION

On April 23, 2013, the Company finalized the acquisition of a 10% undivided interest in a 1,870 unit multi-family residential portfolio located in Quebec City and Montreal, Quebec ("Quebec properties") from an arm's length party.

The mortgages payable are made up of 9 mortgages outstanding on the various properties. The Company's portion of monthly payments total \$27,448 (December 31, 2015 – \$33,577) and bear interest at a weighted average rate of 3.56% (for the nine-month period ended September 30, 2015 – 3.80%), which approximates current market rates, and had a weighted average remaining life of 9.77 years.

Urbanfund Corp.

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(in Canadian dollars)

12. QUEBEC HEADWAY JOINT OPERATION (Continued)

The following represents the Company's share of assets and liabilities and were recognized in the condensed interim consolidated statements of financial position based on their nature:

	September 30, 2016	December 31, 2015
Non-current assets	\$ 8,060,000	\$ 8,060,000
Current assets	404,874	494,156
Total assets	8,464,874	8,554,156
Non-current liabilities	(2,305,349)	(2,444,901)
Current liabilities	(326,547)	(367,317)
Total liabilities	(2,631,896)	(2,812,218)
Net assets	\$ 5,832,978	\$ 5,741,938

The following represents the Company's share of revenues and expenses are recognized in the condensed interim consolidated statements of income and comprehensive income based on their nature:

	September 30, 2016	September 30, 2015
Revenue	\$ 1,107,073	\$ 1,180,336
Expenses	(910,518)	(793,213)
Net rental income	196,555	387,123
Other expenses	(95,532)	(118,656)
Fair value adjustment to investment properties	(9,981)	(245,195)
Gain on sale of investments property (Note 5)	-	773,857
Net income	\$ 91,042	\$ 797,129

13. WEBER INVESTMENTS LIMITED PARTNERSHIP

On July 27, 2015, the Company entered into a limited partnership agreement as a limited partner and the general partner of Weber Investments LP (the "Limited Partnership"), so as to continue the expansion of the Company's real estate activities. The Company contributed cash of \$1,169,966 for 65 Class A units representing a 65% interest in the Limited Partnership and the entitlement to exercise 82.5% of the votes attributable to the Limited Partnership.

Distributions by the Limited Partnership are allocated:

- (i) to the Company until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (ii) to a non-controlling member until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (iii) thereafter, 65% to the Company and 35% to the non-controlling interests.

Profits of the Limited Partnership are allocated in proportion to the distributions as outlined in the limited partnership agreement, as described above. Losses of the Limited Partnership are distributed by the Company, as the general partner, or to the extent and in proportion to the capital contributed by each limited partner until their share of the undistributed net profits as defined by the limited partnership agreement and thereafter 99.9% to the Company and 0.1% to the non-controlling interests.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(in Canadian dollars)

13. WEBER INVESTMENTS LIMITED PARTNERSHIP (Continued)

Management has assessed the Company controls the Limited Partnership as the facts and circumstances indicate that the Company has power over the Limited Partnership and has therefore consolidated the Limited Partnership, has presented separately on the consolidated statements of financial position and the consolidated statements of income and comprehensive income the attributed portion of equity and loss to the non-controlling interests.

The following represents the assets and liabilities of the Limited Partnership. As at September 30, 2016 and December 31, 2015, they are recognized in the condensed interim consolidated financial statements based on their nature:

	September 30, 2016	December 31, 2015
Non-current assets	\$ 6,832,463	\$ 4,065,489
Current assets	2,230,342	31,286
Total assets	9,062,805	4,096,775
Non-current liabilities	(4,663,332)	(1,800,000)
Current liabilities	(633,999)	(256,399)
Total liabilities	(5,297,331)	(2,056,399)
Net assets	\$ 3,765,474	\$ 2,040,376

The following represents the Company's share of revenues and expenses are recognized in the condensed interim consolidated statements of income and comprehensive income based on their nature:

	September 30, 2016	September 30, 2015
Revenue	\$ 167,404	\$ -
Expenses	(48,598)	(25,771)
Net rental income	118,806	(25,771)
Other expenses	(157,830)	(118,590)
Fair value adjustment to investment properties	1,764,123	-
Net income	\$ 1,725,099	\$ (144,361)
Attributable to:		
Owners of parent	1,121,314	(144,361)
Non-controlling interests	603,785	-
Net income	\$ 1,725,099	\$ (144,361)

During the nine-month period ended September 30, 2016, the Limited Partnership incurred \$46,793 of direct development costs and \$34,386 of borrowing costs of which were attributable to properties under development (Note 6).

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(in Canadian dollars)

14. WEBER INVESTMENTS LIMITED PARTNERSHIP 2

On January 20, 2016, the Company entered into a limited partnership agreement as a limited partner and the general partner of Weber Investments LP 2 (the "Limited Partnership 2"), so as to continue the expansion of the Company's real estate activities. The Company contributed cash of \$541,250 for 65 Class A units representing a 65% interest in the Limited Partnership 2 and the entitlement to exercise 82.5% of the votes attributable to the Limited Partnership.

Distributions by the Limited Partnership 2 are allocated:

- (i) to the Company until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (ii) to a non-controlling member until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (iii) thereafter, 65% to the Company and 35% to the non-controlling interests.

Profits of the Limited Partnership 2 are allocated in proportion to the distributions as outlined in the limited partnership agreement, as described above. Losses of the Limited Partnership 2 are distributed by the Company, as the general partner, or to the extent and in proportion to the capital contributed by each limited partner until their share of the undistributed net profits as defined by the limited partnership agreement and thereafter 99.9% to the Company and 0.1% to the non-controlling interests.

Management has assessed the Company controls the Limited Partnership 2 as the facts and circumstances indicate that the Company has power over the Limited Partnership and has therefore consolidated the Limited Partnership 2, has presented separately on the consolidated statements of financial position and the consolidated statements of income and comprehensive income the attributed portion of equity and loss to the non-controlling interests.

The following represents the assets and liabilities of the Limited Partnership 2. As at September 30, 2016, they are recognized in the condensed interim consolidated financial statements based on their nature:

	September 30, 2016
Non-current assets	\$ 1,449,548
Current assets	18,867
Total assets	1,468,415
Current liabilities	(613,286)
Total liabilities	(613,286)
Net assets	\$ 855,129

During the nine-month period ended September 30, 2016, the Limited Partnership 2 incurred \$49,606 of direct development costs and \$56,250 of borrowing costs which were attributable to properties under development (Note 6). As at September 30, 2016, no revenues or expenses have been recognized in the condensed interim consolidated statements of income and comprehensive income.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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(in Canadian dollars)

15. WEBER INVESTMENTS LIMITED PARTNERSHIP 3

On February 5, 2016, the Company entered into a limited partnership agreement as a limited partner and the general partner of Weber Investments LP 3 (the "Limited Partnership 3"), so as to continue the expansion of the Company's real estate activities. The Company contributed cash of \$541,875 for 65 Class A units representing a 65% interest in the Limited Partnership 3 and the entitlement to exercise 82.5% of the votes attributable to the Limited Partnership.

Distributions by the Limited Partnership 3 are allocated:

- (i) to the Company until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (ii) to a non-controlling member until the aggregate distributions received are equal to the initial contributed cash plus an amount required to achieve an annualized internal rate of return of 6% thereon.
- (iii) thereafter, 65% to the Company and 35% to the non-controlling interests.

Profits of the Limited Partnership 3 are allocated in proportion to the distributions as outlined in the limited partnership agreement, as described above. Losses of the Limited Partnership 3 are distributed by the Company, as the general partner, or to the extent and in proportion to the capital contributed by each limited partner until their share of the undistributed net profits as defined by the limited partnership agreement and thereafter 99.9% to the Company and 0.1% to the non-controlling interests.

Management has assessed the Company controls the Limited Partnership 3 as the facts and circumstances indicate that the Company has power over the Limited Partnership 3 and has therefore consolidated the Limited Partnership 3, has presented separately on the consolidated statements of financial position and the consolidated statements of income and comprehensive income the attributed portion of equity and loss to the non-controlling interests.

The following represents the assets and liabilities of the Limited Partnership 3. As at September 30, 2016, they are recognized in the condensed interim consolidated financial statements based on their nature:

	September 30, 2016
Non-current assets	\$ 579,738
Current assets	286,937
Total assets	866,675
Current liabilities	(242,238)
Total liabilities	(242,238)
Net assets	\$ 624,437

During the nine-month period ended September 30, 2016, the Limited Partnership 3 incurred \$30,101 of direct development costs and \$2,065 of borrowing costs which were attributable to properties under development (Note 7). As at September 30, 2016, no revenues or expenses have been recognized in the condensed interim consolidated statements of income and comprehensive income.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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16. MORTGAGES PAYABLE

Mortgages payable, as at September 30, 2016 and December 31, 2015 consist of the following:

	Rate Per Annum	Maturity Date	September 30, 2016	December 31, 2015
Mortgage payable, with monthly payments of \$55,114, including interest.	2.52%	March 1, 2025	11,772,551	12,044,826
Mortgage payable, with monthly payments of \$34,924, including interest.	3.86%	July 5, 2018	5,158,289	5,321,536
Vendor take-back mortgage, with monthly payments of \$19,384, including interest.	4.50%	May 1, 2018	2,732,393	2,813,970
Assumed mortgages from the Quebec Headway Joint Operation, representing the Company's 10% share, with monthly payments of \$33,577, including interest.	Weighted- average 3.56%	Weighted- average of 9.77 years	2,590,459	2,714,802
Mortgage payable in Weber Investments Limited Partnership, interest only.	4.31%	February 1, 2017	-	1,800,000
Mortgage payable in Weber Investments Limited Partnership, with monthly payments of \$22,519, including interest.	2.92%	October 1, 2023	4,800,000	-
Mortgage payable in Weber Investments Limited Partnership 2, interest only.	6.00%	January 20, 2017	625,000	-
			27,678,692	24,695,134
Less: Deferred financing costs, classified as non-current			346,175	328,366
Less: Current portion			1,705,284	962,537
Non-current portion			\$ 25,627,233	\$ 23,404,231

Minimum principal payments over the following years are as follows:

	Principal
Remainder of 2016	\$ 679,029
2017	1,080,248
2018	8,568,090
2019	771,794
2020	781,099
Thereafter	15,798,432
	\$ 27,678,692

17. NON-REVOLVING TERM FACILITY

On August 19, 2016, the Company established a one-year non-revolving term facility with a Canadian chartered bank in the amount of \$465,000, with a remaining draw of \$435,000 available subject to availment conditions based on occupancy on properties held under Weber Investments Limited Partnership 1 and Weber Investments Limited Partnership 3. The non-revolving term facility bears interest at the bank's prime lending rate plus 1.25%. The non-revolving term facility expires on September 19, 2017 and is secured by a general security agreement and a second charge against the properties held under Weber Investments Limited Partnership 1 and Weber Investments Limited Partnership 3.

Urbanfund Corp.

Notes to the Condensed Interim Consolidated Financial Statements

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18. SHAREHOLDERS' EQUITY

	Authorized
First preferred, Series A shares, non-voting, nonparticipating, each share is convertible to one common share for no additional consideration unless, at the date of conversion, the aggregate number of common shares held by directors and officers of the Company, and related parties to such individuals, would exceed 80% of the issued and outstanding common shares, in which case the shares cannot be converted.	20,000,000
First preferred shares, issuable in series with rights, privileges, restrictions and conditions determined by the directors at the time of issue.	Unlimited
Second preferred shares, issuable in series with rights, privileges, restrictions and conditions determined by the directors at the time of issue.	Unlimited
Common shares	Unlimited

19. STOCK OPTIONS

The Company has established a stock option plan for the benefit of its employees, directors, officers and consultants. The maximum number of options that may be granted under the plan cannot exceed 10% of the number of issued and outstanding common shares.

Options granted under the plan have a maximum term of five years and vest as follows (i) 1/3 after one year from grant date, (ii) 1/3 after two years from grant date, and (iii) 1/3 after three years from grant date. The exercise price of the options is determined by the board of directors and must not be less than the closing price of the Company's common shares on the TSX Venture exchange on the last trading day prior to the date of the grant. As at September 30, 2016 and December 31, 2015, there were no stock options issued, outstanding or exercised.

20. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

On June 17, 2015, the Company adopted a dividend policy and dividend reinvestment plans for the holders of common shares and Series A, first preferred shares (the "DRIP"). The Company intends to pay an annual aggregate dividend of \$0.005 per common share and \$0.005 per preferred share, payable quarterly in the amount of \$0.00125 per common and preferred share.

The DRIP is a voluntary program permitting holders of Series A, first preferred shares and common shares to automatically, and without charge, reinvest dividends into additional common shares at a specified discount to the volume-weighted average market price calculated as of the date of payment.

The Company has reserved an aggregate of 2,000,000 common shares for the issuance to participants enrolled in the DRIP. During the nine-month period ended September 30, 2016, the Company issued 582,925 common shares valued at \$150,768 to shareholders participating in the DRIP (December 31, 2015 – 179,072 and \$37,533).

Total dividends paid in cash during the nine-month period ended September 30, 2016 was \$25,119. Dividends payable at period end was \$64,699 (December 31, 2015 – \$54,690), which includes amounts for the DRIP of \$9,281 (December 31, 2015 – \$28,642).

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21. NET INCOME PER SHARE

Basic net income per share is calculated based on weighted average number of common shares outstanding during the nine-month periods ended September 30, 2016 and 2015, as follows:

	September 30, 2016	September 30, 2015
Weighted average common shares outstanding, basic	44,113,680	43,601,965
Preferred shares	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	51,538,680	51,026,965

22. RELATED PARTY TRANSACTIONS

Related party transactions are listed below, unless they have been disclosed elsewhere in the condensed interim consolidated financial statements.

Included in amounts receivable within other assets (Note 10) is \$139,101 (December 31, 2015 – \$137,167) of amounts due from a corporation that is also a shareholder of the Company.

The Company is also contracted to this shareholder for property management services and employee costs. These balances are summarized as follows:

	September 30, 2016	September 30, 2015
Property management fees included in:		
Rental expenses	\$ 74,852	\$ 71,285
Accounts payable and accrued liabilities	24,667	25,452
Management cost reimbursements included in:		
Rental expenses	\$ 161,150	\$ 171,196
Accounts payable and accrued liabilities	36,660	17,947

The marketable securities held by the Company are held with a brokerage that is related by common shareholders who are also directors of the Company. At September 30, 2016 there was \$336,974 (December 31, 2015 – \$1,698,733) in cash held by the brokerage in addition to the marketable securities disclosed in Note 11.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management objectives and policies

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

Interest rate risk

Interest rate risk is minimized through the Company's current strategy of having the mortgages payable in fixed rate arrangements. The Company is however exposed to fair value risk. A change in the interest rate by 1% will result in an increase or decrease in the fair value of the mortgages by \$254,953 (December 31, 2015 – \$120,067).

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair value

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying value of accounts receivable, interest receivable, tenant deposits, accounts payable and accrued liabilities are considered to be representative of their respective values due to their short-term nature.

The fair value of the Company's mortgages payable, which are determined to be classified as Level 2, approximate \$26,000,000 (December 31, 2015 – \$25,000,000) based on interest rates obtainable for similar financial instruments in the current marketplace.

The fair value of the equity interest in real estate project (Note 7) and the investment in private company (Note 8) is not determinable as there is no active market for the investments, therefore the carrying amount equals the cost of the investments. The investments are held as available for sale however the Company does not have immediate plans to sell its interest.

The Company values instruments carried at fair value using quoted market prices, where available. Quoted market prices represent a Level 1 valuation. When quoted market prices are not available, the Company maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

The following table outlines assets and liabilities measured at fair value in the condensed interim consolidated financial statements and the level of the inputs used to determine those fair values in the context of the hierarchy as defined above:

	September 30, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents	\$ 8,303,915	\$ -	\$ -	\$ 7,675,268	\$ -	\$ -
Marketable securities	\$ 336,974	\$ -	\$ -	\$ 323,884	\$ -	\$ -
Investment properties	\$ -	\$ -	\$ 48,260,000	\$ -	\$ -	\$ 41,860,000

Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease commitments. The Company mitigates this risk of credit loss by diversifying its tenant mix and by limiting its exposure to any one tenant. In addition, the Company obtains security deposits from tenants.

The Company believes that the credit risk of accounts receivable is minimal as the balance receivable as at September 30, 2016 is all current and limited to \$11,724 (December 31, 2015 – \$48,285). The Company mitigates its exposure to credit loss by placing its cash and cash equivalents with major financial institutions.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The marketable securities of the Company are subject to normal market fluctuations due to changes in share prices. The maximum risk resulting from financial instruments held by the Company is determined by the fair value of the financial instruments.

Urbanfund Corp.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market risk (Continued)

As at September 30, 2016 sensitivity to an increase or decrease of quoted share prices by 5%, with all other variables held constant, the marketable securities would have increased or decreased by \$16,849 (December 31, 2015 – \$16,194). In practice, actual results may differ from the sensitivity analysis and the difference could be material.

Liquidity risk

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

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

	< 1 year	1-2 years	3-5 years	> 5 years
Accounts payable and accrued liabilities	\$ 617,771	\$ -	\$ -	\$ -
Non-revolving term facility	\$ 462,400	\$ -	\$ -	\$ -
Mortgages payable	\$ 679,029	\$ 1,080,248	\$ 10,120,983	\$ 15,798,432

24. CAPITAL MANAGEMENT

The Company defines capital as its equity. The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits to other stakeholders, and
- to provide adequate return to shareholders by obtaining an appropriate amount of debt commensurate with the level of risk, to reduce after-tax cost of capital.

The Company sets the amount of capital in proportion to risk. The Company manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during nine-month period ended September 30, 2016 and December 31, 2015.

25. SEGMENTED INFORMATION

The Company owns, develops and operates investment properties and real estate related projects in Canada. In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment. Management has applied judgment by aggregating its operating segments into one reportable segment for disclosure purposes, such judgment considers the nature of the investment property and real estate related project operations and an expectation that operating segments within a reportable segment have similar economic characteristics.

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Notes to the Condensed Interim Consolidated Financial Statements

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26. COMPARATIVE BALANCES

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

27. SUBSEQUENT EVENTS

On November 28, 2016, the Company entered into a binding letter of intent to form a joint arrangement with an arm's length real estate investment firm, to purchase, renovate, change to condominium title and sell units in an industrial complex located in Brampton, Ontario (the "Brampton Properties").

The Brampton Properties are comprised of 40 units between two industrial buildings totaling approximately 64,000 square feet. The aggregate purchase price of the Brampton Properties is \$5,315,000, subject to customary adjustments. Each party intends to invest \$1,625,000 in cash with the remainder of the purchase price provided by a private lender at an expected interest rate of 6% per annum.