



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH PERIOD MARCH 31, 2018

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Urbanfund Corp.

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

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

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

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

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

RSM Canada LLP independent auditors appointed by the shareholders of Urbanfund, upon recommendation of the Board of Directors, have examined the 2017 annual consolidated financial statements and have expressed their opinion upon the completion of such examination in the following report to the shareholders. The auditors have full and free access to, and meet at least quarterly with, the Audit Committee to discuss their audits and related matters.

NOTICE TO READER

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

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

Mitchell Cohen
President, Chief Executive Officer and Director

Thomas Kofman
Director

Toronto, Ontario
May 30, 2018

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

(In Canadian dollars)
(Unaudited)

As at	Note	March 31, 2018	December 31, 2017
Assets			
Investment properties	5	\$ 52,909,674	\$ 61,427,685
Equity accounted investment	6	7,767,087	7,679,397
Inventory properties	7	2,522,309	2,474,335
Assets held for sale	4	9,952,892	3,556,220
Marketable securities	8	514,250	446,825
Receivables and other assets	9	974,605	745,380
Cash		10,414,226	8,002,475
Total assets		\$ 85,055,043	\$ 84,332,317
Liabilities			
Mortgages payable	10	\$ 29,636,488	\$ 34,528,600
Deferred tax liabilities		5,251,000	4,910,000
Tenant deposits		158,419	181,678
Liabilities associated with assets held for sale	4	5,199,227	1,836,652
Income taxes payable		2,034,520	1,556,520
Accounts payable and accrued liabilities	14	553,029	689,291
Total liabilities		42,832,683	43,702,741
Equity			
Common shares		10,398,253	10,291,325
Preferred shares		1,113,750	1,113,750
Retained earnings		29,244,955	27,759,099
Total shareholders' equity		40,756,958	39,164,174
Non-controlling interests		1,465,402	1,465,402
Total equity		42,222,360	40,629,576
Total liabilities and equity		\$ 85,055,043	\$ 84,332,317
Contingencies and commitments	21		
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Approved by the Board of Directors:

Mitchell Cohen
Director

Thomas Kofman
Director

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

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

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

Three months ended March 31,	Note		2018	2017
Revenue				
Rental revenue	13	\$	1,411,686	\$ 1,404,892
Inventory property sales	4		4,229,528	-
			5,641,214	1,404,892
Operating costs				
Rental expenses	14		744,493	727,889
Inventory property cost of sales	4		2,908,669	-
			3,653,162	727,889
Operating income			1,988,052	677,003
Other income				
Profit from investment in real estate project			500,000	-
Income from equity accounted investment	6, 14		87,690	-
Interest and dividend income			23,023	15,054
Fair value adjustment on marketable securities			69,101	24,576
Fair value adjustment on investment properties	5		218,351	-
			898,165	39,630
Other expenses				
Financing costs			264,970	240,628
General and administrative costs			184,651	60,047
Fair value adjustment on investment properties	5		-	24,479
			449,621	325,154
Income before taxes			2,436,596	391,479
Current income tax expense			478,000	-
Deferred income tax expense (recovery)			341,000	(35,000)
			819,000	(35,000)
Net income and comprehensive income		\$	1,617,596	\$ 426,479
Net income attributable to:				
Shareholders		\$	1,617,596	\$ 418,127
Non-controlling interests			-	8,352
		\$	1,617,596	\$ 426,479
Net income per share attributable to shareholders:				
Basic income per share	11	\$	0.036	\$ 0.009
Diluted income per share	11	\$	0.031	\$ 0.008

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

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Note	<u>Common equity</u>		<u>Preferred equity</u>		Retained	Non-controlling	Total equity
		Number of	Share	Number of	Share	earnings	interests	
		shares	capital	shares	capital			
Balance, December 31, 2016		44,460,794	\$ 9,975,645	7,425,000	\$ 1,113,750	\$ 20,839,468	\$ 1,126,686	\$ 33,055,549
Changes during the year:								
Net income and comprehensive income for the period		-	-	-	-	418,127	8,352	426,479
Dividends payable		-	-	-	-	(65,016)	-	(65,016)
Dividend reinvestment plan	12	126,754	52,376	-	-	-	-	52,376
Balance, March 31, 2017		44,587,548	\$ 10,028,021	7,425,000	\$ 1,113,750	\$ 21,192,579	\$ 1,135,038	\$ 33,469,388
	Note	<u>Common equity</u>		<u>Preferred equity</u>		Retained	Non-controlling	Total equity
		Number of	Share	Number of	Share	earnings	interests	
		shares	capital	shares	capital			
Balance, December 31, 2017		45,098,140	\$ 10,291,325	7,425,000	\$ 1,113,750	\$ 27,759,099	\$ 1,465,402	\$ 40,629,576
Changes during the year:								
Net income and comprehensive income for the period		-	-	-	-	1,617,596	-	1,617,596
Dividends payable		-	-	-	-	(131,740)	-	(131,740)
Dividend reinvestment plan	12	172,909	106,928	-	-	-	-	106,928
Balance, March 31, 2018		45,271,049	\$ 10,398,253	7,425,000	\$ 1,113,750	\$ 29,244,955	\$ 1,465,402	\$ 42,222,360

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

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)
(Unaudited)

Three months ended March 31,	Note	2018	2017
Operating activities			
Net income and comprehensive income		\$ 1,617,596	\$ 426,479
<i>Items not affecting cash:</i>			
Income from equity accounted investment	6	(87,690)	-
Interest and dividend income		(23,023)	(15,054)
Fair value adjustment on marketable securities		(69,101)	(24,576)
Fair value adjustment on investment properties	5	(218,351)	24,479
Deferred income tax expense		341,000	(35,000)
Net issuance of common shares		(106,928)	(52,376)
Adjustments for other non-cash working capital items	20	3,281,701	(240,825)
Cash provided by operating activities		4,735,204	83,127
Investing activities			
Construction expenditures to properties under development	5	(56,568)	(208,317)
Capital expenditures on income properties	5	(1,649)	(24,479)
Construction expenditures to inventory properties	7	(142,009)	-
Advances to private company		-	(125,000)
Cash used in investing activities		(200,226)	(357,796)
Financing activities			
Repayments of mortgage principal		(2,074,467)	(271,196)
Dividends paid		(48,760)	(12,481)
Cash used in financing activities		(2,123,227)	(283,677)
Net change in cash		2,411,751	(558,346)
Cash, beginning of period		8,002,475	7,962,632
Cash, end of period		\$ 10,414,226	\$ 7,404,286
Supplemental cash flow information	19		

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

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

Urbanfund's interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). Under International Financial Reporting Standards ("IFRS"), additional disclosures are required in annual financial statements, and therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016. These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on May 30, 2018.

(b) Basis of presentation

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

(c) Significant judgments, estimates and assumptions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Changes in accounting policies

Revenue from Contracts with Customers ("IFRS 15")

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

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

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

(i) Rental revenue

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

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

(ii) Inventory property

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

Financial Instruments ("IFRS 9")

Effective January 1, 2018, the Company adopted IFRS 9 using the modified retrospective basis with no restatement of comparative periods. IFRS 9 replaces IAS 39, *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

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

Financial assets

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

Financial liabilities

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

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

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Investment Properties ("IAS 40")

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

(b) Future changes in accounting policies

Leases ("IFRS 16")

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

4. ASSETS HELD FOR SALE

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

Three months ended March 31,	2018
Revenue	
Rental revenue	\$ 162,351
Inventory property sales	4,229,528
	4,391,879
Operating costs	
Rental expenses	87,677
Inventory property cost of sales	2,908,669
	2,996,346
Operating income	1,395,533
Other expenses	
Financing costs	47,702
General and administrative costs	66,824
Net income from assets held for sale	\$ 1,510,059

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

Three months ended March 31,	2018
Net income from assets held for sale	\$ 1,510,059
Adjustments for net changes in non-cash working capital	2,604,283
Cash provided by operating activities	4,114,342
Construction expenditures to properties under development	(6,232)
Cash used in investing activities	(6,232)
Repayments of mortgage principal	(1,816,275)
Cash used in financing activities	(1,816,275)
Net change in cash	\$ 2,291,835

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

4. ASSETS HELD FOR SALE (CONT'D)

As at	Note	March 31, 2018	December 31, 2017
Assets			
Investment properties	5	\$ 8,794,579	\$ -
Inventory properties	7	790,424	3,473,551
Receivables and other assets	9	367,889	82,669
Total assets held for sale		\$ 9,952,892	\$ 3,556,220
Liabilities			
Mortgages payable	10	\$ (4,599,982)	\$ (1,782,338)
Tenant deposits		(506,751)	(16,601)
Accounts payable and accrued liabilities		(92,494)	(37,713)
Total liabilities held for sale		(5,199,227)	(1,836,652)
Net assets		\$ 4,753,665	\$ 1,719,568

5. INVESTMENT PROPERTIES

As at,	March 31, 2018	December 31, 2017
Income properties	\$ 56,450,000	\$ 56,230,000
Properties under development	5,254,253	5,197,685
	\$ 61,704,253	\$ 61,427,685

	Income properties	Properties under development	Total
Balance, January 1, 2018	\$ 56,230,000	\$ 5,197,685	\$ 61,427,685
Development expenditures:			
Capitalized costs	-	46,412	46,412
Finance costs	-	10,156	10,156
Capital expenditures	1,649	-	1,649
Fair value adjustment on investment properties	218,351	-	218,351
Balance, March 31, 2018	\$ 56,450,000	\$ 5,254,253	\$ 61,704,253
Investment properties	49,150,000	3,759,674	52,909,674
Investment properties held for sale (note 4)	7,300,000	1,494,579	8,794,579
	\$ 56,450,000	\$ 5,254,253	\$ 61,704,253

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

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

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

5. INVESTMENT PROPERTIES (CONT'D)

Acquisitions

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

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

Valuation methodology

As highlighted in note 17, the fair value methodology of the Company's income properties use inputs that are considered Level 3 because of significant unobservable inputs are required to determine fair value.

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

	December 31, 2017			March 31, 2018		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
Residential properties	3.60%	6.50%	4.45%	3.60%	6.50%	4.44%

Sensitivity

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

	Stabilized NOI -1%	Stabilized NOI as reported	Stabilized NOI +1%
As at December 31, 2017:			
Capitalization rate, decrease, 0.25%	\$ 1,471,800	\$ 1,863,600	\$ 2,254,400
Capitalization rate, as reported	(441,200)	-	301,700
Capitalization rate, increase, 0.25%	(2,168,700)	(1,814,200)	(1,460,900)
As at March 31, 2018:			
Capitalization rate, decrease, 0.25%	\$ 1,526,100	\$ 1,916,200	\$ 2,307,900
Capitalization rate, as reported	(410,000)	-	331,900
Capitalization rate, increase, 0.25%	(2,153,500)	(1,799,900)	(1,446,700)

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

6. EQUITY ACCOUNTED INVESTMENT

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

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

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

As at	March 31, 2018	December 31, 2017
Balance, beginning of period (year)	\$ 7,679,397	\$ -
Contributions	-	7,569,980
Share of net income	87,690	109,417
Balance, end of period (year)	\$ 7,767,087	\$ 7,679,397

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

As at	March 31, 2018	December 31, 2017
Current assets	\$ 2,418,124	\$ 1,568,280
Non-current assets	114,882,549	114,269,590
Current liabilities	(2,035,381)	(1,269,498)
Non-current liabilities	(76,429,855)	(76,171,386)
Net assets	38,835,437	38,396,986
Equity accounted investment	\$ 7,767,087	\$ 7,679,397

Three months ended March 31,	2018
Revenue	\$ 3,040,849
Operating expenses	(1,729,965)
Interest expense	(714,355)
Net income before taxes	596,529
Income taxes	(158,080)
Net income	438,449
Income from equity accounted investment	\$ 87,690

7. INVENTORY PROPERTIES

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

As at	March 31, 2018	December 31, 2017
Balance, beginning of period (year)	\$ 5,947,886	\$ -
Transfers (note 5)	-	2,687,471
Acquisition of inventory properties (note 5)	-	2,350,000
Development expenditures	142,009	910,415
Disposition of inventory properties	(2,777,162)	-
Balance, end of period (year)	\$ 3,312,733	\$ 5,947,886
Inventory properties	2,522,309	2,474,335
Inventory properties held for sale (note 4)	790,424	3,473,551
	\$ 3,312,733	\$ 5,947,886

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED MARCH 31 2018 AND 2017

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

8. MARKETABLE SECURITIES

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

As at	March 31, 2018	December 31, 2017
Cost	\$ 353,427	\$ 353,427
Fair value	514,250	446,825

9. RECEIVABLES AND OTHER ASSETS

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

As at	March 31, 2018	December 31, 2017
Accounts receivable	\$ 742,875	\$ 344,597
Investment in private company (2,083,333 common shares, 1,041,666 purchase warrants) ⁽ⁱ⁾	250,000	250,000
Amounts receivable (note 14)	128,180	117,008
Prepaid expenses	194,251	89,256
Deposits	27,188	27,188
	\$ 1,342,494	\$ 828,049
Receivables and other assets	974,605	745,380
Receivables and other assets held for sale (note 4)	367,889	82,669
	\$ 1,342,494	\$ 828,049

(i) For the three months ended March 31, 2018, Urbanfund recognized \$nil of interest income relating to the loan included in interest and dividend income in the consolidated statements of income and comprehensive income (Three months ended March 31, 2017 - \$8,316).

10. MORTGAGES PAYABLE

As at	March 31, 2018	December 31, 2017
Current	\$ 5,357,959	\$ 7,255,927
Non-current	28,878,511	29,055,011
	\$ 34,236,470	\$ 36,310,938

As at	March 31, 2018	December 31, 2017
Mortgages payable	\$ 29,636,488	\$ 34,528,600
Mortgages payable on assets held for sale (note 4)	4,599,982	1,782,338
	\$ 34,236,470	\$ 36,310,938

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

As at	March 31, 2018						December 31, 2017	
Property name(s)	Payment Terms	Maturity Date	Interest Rate					
3080-3094 Don Mills & 200 Van Horne	MBPI	Mar 1, 2025	2.52%	\$	11,212,449	\$	11,307,263	
305 North Front Centre	MBPI	Oct 5, 2022	3.95%		10,048,301		10,110,164	
476-480 Wonderland Road	MBPI	Jun 5, 2018	3.86%		1,204,105		1,218,683	
Quebec Headway, Vendor Take Back	MBPI	May 1, 2018	4.50%		2,550,970		2,590,235	
Quebec Headway, Assumed Mortgages	MBPI	(i)	(i)		2,695,015		2,762,580	
48 Weber Street & 65 Roy Street	MBPI	Oct 1, 2023	2.92%		4,610,904		4,644,841	
59 Weber Street	IO	Jun 20, 2018	6.50%		625,000		625,000	
11-13 Edvac Drive	IO	Jun 15, 2019	6.00%		-		1,782,338	
4 Alfred Kuhne Boulevard	IO	Dec 1, 2019	5.50%		1,543,750		1,543,750	
Mortgages payable				\$	34,490,494	\$	36,584,854	

(i) Quebec Headway assumed mortgages payable are made up of 10 mortgages outstanding on the income properties of Quebec Headway. The weighted average remaining life is 6.45 years (December 31, 2017 - 6.45 years) and bear a weighted average interest rate of 3.26% (December 31, 2017 - 3.26%).

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10. MORTGAGES PAYABLE (CONT'D)

Minimum principal payments over the following years are as follows:

Remainder of 2018	\$	5,161,567
2019		2,580,978
2020		1,066,769
2021		988,531
2022		9,746,637
Thereafter		14,946,012
		34,490,494
Unamortized mortgage financing costs		(254,024)
	\$	34,236,470

11. EQUITY

Basic and diluted income per share

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

Three months ended March 31,	2018	2017
Net income attributable to shareholders	\$ 1,617,596	\$ 418,127
Weighted average common units outstanding:		
Basic	45,366,930	44,568,047
Dilutive effect of preferred shares	7,425,000	7,425,000
Diluted	52,791,930	51,993,047
Net income per share attributable to shareholders:		
Basic income per share	\$ 0.036	\$ 0.009
Diluted income per share	\$ 0.031	\$ 0.008

12. DIVIDEND REINVESTMENT PLAN

On June 17, 2015, Urbanfund adopted a dividend policy and dividend reinvestment plan for the holders of common shares and Series A preferred shares (the "DRIP"). The Company has reserved an aggregate of 2,000,000 common shares for issuance to participants enrolled in the DRIP. For the three months ended March 31, 2018, Urbanfund issued 172,909 common shares valued at \$106,928 to participants enrolled in the DRIP (Three months ended March 31, 2017 - 126,754 and \$52,376).

13. RENTAL REVENUE

Three months ended March 31,	2018	2017
Base rent	\$ 1,183,891	\$ 1,163,963
Realty tax recoveries	122,060	103,389
Common area maintenance recoveries	57,042	46,220
Percentage rent	4,603	5,135
Miscellaneous revenue	44,090	86,185
	\$ 1,411,686	\$ 1,404,892

14. RELATED PARTY BALANCES AND TRANSACTIONS

Included in amounts receivable within receivables and other assets (note 9) is \$128,180 (December 31, 2017 - \$117,008) of amounts due from a corporation that is also a shareholder of the Company.

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14. RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D)

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

Three months ended March 31,	2018	2017
<i>Property management fees, included in:</i>		
Rental expenses	\$ 32,803	\$ 25,172
Income from equity accounted investment, net	20,916	-
<i>Management cost reimbursements, included in:</i>		
Rental expenses	\$ 65,257	\$ 54,405
Income from equity accounted investment, net	49,356	-

As at	March 31, 2018	December 31, 2017
<i>Property management fees, included in:</i>		
Accounts payable and accrued liabilities	\$ 23,649	\$ 25,727
<i>Management cost reimbursements, included in:</i>		
Accounts payable and accrued liabilities	\$ 13,607	\$ 21,404

The marketable securities held by Urbanfund are held with a brokerage that is related by common shareholder who are also director of the Company. At March 31, 2018, there was \$378,687 (December 31, 2017 - \$369,429) in cash held by the brokerage, in addition to the marketable securities disclosed in note 8. There has been no compensation paid to key management personnel during the periods ended March 31, 2018 and 2017.

15. FAIR VALUE MEASUREMENT

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

As at	March 31, 2018			December 31, 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets measured at fair value:</i>						
Cash and cash equivalents	\$ 10,414,226	\$ -	\$ -	\$ 8,002,475	\$ -	\$ -
Marketable securities	514,250	-	-	446,825	-	-
Income properties (note 5)	-	-	56,450,000	-	-	56,230,000
Total assets measured at fair value	\$ 10,928,476	\$ -	\$ 56,450,000	\$ 8,449,300	\$ -	\$ 56,230,000

For assets measured at fair value as at March 31, 2018, there were no transfers between Level 1, Level 2 and Level 3 during the period.

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

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

Investment in private company

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

Mortgages payable

The fair value of the mortgages payable are Level 2 and approximate \$34,000,000 (December 31, 2017 - \$36,000,000) based on the interest rates obtainable for similar financial instruments in the current market place.

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15. FAIR VALUE MEASUREMENT (CONT'D)

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

As at	Classification	Measurement	March 31, 2018	December 31, 2017
<i>Financial assets:</i>				
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 10,414,226	\$ 8,002,475
Receivables and other assets	Loans and receivables	Amortized cost	1,092,494	578,049
Common shares	Available-for-sale	Cost	250,000	250,000
Purchase warrants	Fair value through profit and loss	Fair value	-	-
Marketable securities	Fair value through profit and loss	Fair value	514,250	446,825
<i>Financial liabilities:</i>				
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	645,523	727,004
Tenant deposits	Other liabilities	Amortized cost	665,170	198,279
Mortgages payable	Other liabilities	Amortized cost	34,236,470	36,310,938

16. RISK MANAGEMENT

Financial risk management objectives and policies

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

Interest rate risk

Urbanfund is exposed to interest rate risks on its borrowings and could be adversely affected if it were unable to obtain cost-effective financing. The Company's debt is financed at fixed rates with maturities staggered over a number of years, thereby mitigating its exposure to changes in interest rates and financing risks. A change in the interest rate by 1% would result in an increase or decrease in the fair value of mortgages by \$116,187 (December 31, 2017 - \$123,318).

Credit risk

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

Liquidity risk

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

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

	< 1 year	1-2 years	3-5 years	>5 years
Accounts payable and accrued liabilities	\$ 553,029	\$ -	\$ -	\$ -
Mortgages payable	5,161,567	2,580,978	11,801,937	14,946,012

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17. CAPITAL MANAGEMENT

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

The Company sets the amount of capital in proportion to the risk. Urbanfund manages capital structure and makes adjustments in light of changes in economic conditions and the characteristic risk of underlying assets. In order to maintain or adjust capital structure, the Company may repurchase shares, return capital to shareholders, issue new shares or sell assets to reduce debt. Urbanfund's objective is met by retaining adequate liquidity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. There have been no changes to the Company's capital management policies during the period ended March 31, 2018 and 2017.

18. SEGMENTED INFORMATION

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

Three months ended March 31,	2018	2017
Interest received	\$ 23,023	\$ 15,054
Interest paid	(246,448)	(187,349)
Dividends paid:		
Dividends declared during the period	\$ (49,909)	(24,955)
Dividends declared in the prior period paid in the current period	(24,380)	(12,190)
Dividends declared in the current period paid in next period	25,529	24,664
Dividends paid	\$ (48,760)	\$ (12,481)

The following provides a reconciliation of liabilities arising from financing activities:

Three months ended March 31, 2018	Mortgages payable
Balance, beginning of period	\$ 36,584,854
Cash flows	(2,074,467)
Non-cash changes:	
Deferred financing costs	(19,893)
Balance, end of period	\$ 34,490,494

20. ADJUSTMENTS FOR OTHER NON-CASH WORKING CAPITAL ITEMS

Three months ended March 31,	2018	2017
Receivables and other assets	\$ (514,446)	\$ (228,045)
Accounts payable and accrued liabilities	(81,481)	(77,107)
Income taxes	454,000	-
Tenant deposits	466,891	(4,006)
Deferred financing costs and other	256,528	68,333
Inventory properties	2,700,209	-
Net change in other working capital items	\$ 3,281,701	\$ (240,825)

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21. CONTINGENCIES AND COMMITMENTS

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

22. EVENTS AFTER THE BALANCE SHEET DATE

On April 1, 2018, Urbanfund entered into negotiations with its lender to refinance its mortgage relating to the vendor take back relating to Quebec Headway (note 10) at similar terms and conditions. Upon maturity of the mortgage relating to 476-480 Wonderland Road, the Company plans to repay the remaining balance to its lender.

On April 25, 2018, the Company received additional distributions from Edvac in the amount of \$415,000, relating to the distributions on the sale of the remaining 7 units of 11-13 Edvac Drive, Brampton, Ontario.

On May 16, 2018, Urbanfund, through its limited partnership Weber LP, finalized its agreement to sell its investment property and properties under development for an aggregate purchase price of \$7,300,000, plus customary closing costs. The closing date of the sale is July 16, 2018. The general partner of Weber LP, at its discretion, will use the proceeds to repay any remaining outstanding obligations of Weber LP and distribute the excess capital in accordance with the limited partnership agreement.

23. COMPARATIVE BALANCES

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