



UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30,
2021

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

To the Shareholders of Urbanfund Corp.

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

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

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

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

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

NOTICE TO READER

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

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

Mitchell Cohen
President, Chief Executive Officer and Director

Thomas Kofman
Director

Toronto, Ontario
August 26, 2021

URBANFUND CORP.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(In Canadian dollars)
(Unaudited)

As at	Note	June 30, 2021	December 31, 2020
Assets			
Investment properties	4	\$ 97,441,000	\$ 92,108,743
Equity accounted investment	5	16,120,430	15,603,410
Inventory properties	6	8,895,808	8,336,226
Income taxes recoverable		487,509	-
Receivables and other assets	7	1,438,200	1,512,868
Cash		7,638,859	6,530,044
Total assets		\$ 132,021,806	\$ 124,091,291
Liabilities			
Mortgages payable	8	\$ 61,783,413	\$ 54,548,405
Deferred tax liabilities		7,411,000	6,532,000
Tenant deposits		301,129	194,714
Income taxes payable		-	382,583
Accounts payable and accrued liabilities		1,866,818	4,192,953
Total liabilities		71,362,360	65,850,655
Equity			
Common shares		13,903,905	13,194,933
Preferred shares		1,113,750	1,113,750
Retained earnings		44,658,268	43,065,597
Total shareholders' equity		59,675,923	57,374,280
Non-controlling interests		983,523	866,356
Total equity		60,659,446	58,240,636
Total liabilities and equity		\$ 132,021,806	\$ 124,091,291
Contingencies and commitments	19		
Approved by the Board of Directors:			
<u>Mitchell Cohen</u>		<u>Thomas Kofman</u>	
Director		Director	

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

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In Canadian dollars)
(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Revenue					
Rental revenue	11	\$ 1,564,591	\$ 1,277,095	\$ 2,982,024	\$ 2,631,194
Inventory property sales	11	-	-	-	4,851,350
		1,564,591	1,277,095	2,982,024	7,482,544
Operating costs					
Rental expenses		786,253	553,809	1,626,354	1,207,743
Inventory property cost of sales		-	-	-	3,573,203
		786,253	553,809	1,626,354	4,780,946
Operating income		778,338	723,286	1,355,670	2,701,598
Other income					
Income from equity accounted investment	5	612,000	234,000	1,017,000	646,000
Interest income		6,463	10,948	12,964	81,926
Fair value adjustment on investment properties	4	394,547	(16,906)	1,983,417	83,209
		1,013,010	228,042	3,013,381	811,135
Other expenses					
Financing costs		470,996	241,185	738,499	472,065
General and administrative costs		50,389	97,622	150,443	142,956
		521,385	338,807	888,942	615,021
Income before taxes		1,269,963	612,521	3,480,109	2,897,712
Current income tax expense (recovery)		(260,000)	51,000	(260,000)	452,000
Deferred income tax expense (recovery)		250,000	(5,000)	879,000	125,000
		(10,000)	46,000	619,000	577,000
Net income and comprehensive income		\$ 1,279,963	\$ 566,521	\$ 2,861,109	\$ 2,320,712
Net income attributable to:					
Shareholders		\$ 1,316,475	\$ 566,521	\$ 2,743,942	\$ 2,320,712
Non-controlling interests		(36,512)	-	117,167	-
		\$ 1,279,963	\$ 566,521	\$ 2,861,109	\$ 2,320,712
Net income per share attributable to shareholders:					
Basic income per share	9	\$ 0.026	\$ 0.012	\$ 0.055	\$ 0.048
Diluted income per share	9	\$ 0.023	\$ 0.010	\$ 0.048	\$ 0.042

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

URBANFUND CORP.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Canadian dollars)
(Unaudited)

		<u>Common equity</u>		<u>Preferred equity</u>					
	Note	Number of shares	Share capital	Number of shares	Share capital	Retained earnings	Non-controlling interests	Total equity	
Balance, December 31, 2019		47,280,392	\$ 11,865,800	7,425,000	\$ 1,113,750	\$ 36,711,836	\$ 895,397	\$ 50,586,783	
Changes during the period									
Reallocate prior year loss						29,041	(29,041)	-	
Net income and comprehensive income for the period		-	-	-	-	2,320,712	-	2,320,712	
Dividends paid	10,17	-	-	-	-	(175,426)	-	(175,426)	
Add: prior period dividends payable	10	-	-	-	-	410,290	-	410,290	
Less: current period dividends payable	10	-	-	-	-	(417,830)	-	(417,830)	
Dividend reinvestment plan	10	1,005,271	647,908	-	-	(647,908)	-	-	
Balance, June 30, 2020		48,285,663	\$ 12,513,708	7,425,000	\$ 1,113,750	\$ 38,230,715	\$ 866,356	\$ 52,724,529	
	Note	Number of shares	Share capital	Number of shares	Share capital	Retained earnings	Non-controlling interests	Total equity	
Balance, December 31, 2020		49,352,905	\$ 13,194,933	7,425,000	\$ 1,113,750	\$ 43,065,597	\$ 866,356	\$ 58,240,636	
Changes during the period									
Net income and comprehensive income for the period		-	-	-	-	2,743,942	117,167	2,861,109	
Dividends paid	10,17	-	-	-	-	(146,628)	-	(146,628)	
Add: prior period dividends payable	10	-	-	-	-	425,834	-	425,834	
Less: current period dividends payable	10	-	-	-	-	(721,505)	-	(721,505)	
Dividend reinvestment plan	10	942,460	708,972	-	-	(708,972)	-	-	
Balance, June 30, 2021		50,295,365	\$ 13,903,905	7,425,000	\$ 1,113,750	\$ 44,658,268	\$ 983,523	\$ 60,659,446	

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

URBANFUND CORP.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Canadian dollars)

(Unaudited)

	Note	Three months ended June 30,		Six months ended June 30,	
		2021	2020	2021	2020
Operating activities					
Net income and comprehensive income		\$ 1,279,963	\$ 566,521	\$ 2,861,109	\$ 2,320,712
<i>Items not affecting cash:</i>					
Income from equity accounted investment	5	(612,000)	(234,000)	(1,017,000)	(646,000)
Interest income		(6,463)	(10,948)	(12,964)	(81,926)
Fair value adjustment on investment properties	4	(394,547)	16,906	(1,983,417)	(83,209)
Acquisition of inventory properties		-	(8,000,000)	-	(8,000,000)
Financing of inventory properties		-	6,000,000	-	6,000,000
Disposition of inventory properties		-	-	-	3,232,341
Deferred income tax expense		250,000	(5,000)	879,000	125,000
Adjustments for other non-cash working capital items	18	57,574	(124,879)	(3,297,851)	1,367,464
Cash provided by (used in) operating activities		574,527	(1,791,400)	(2,571,123)	4,234,382
Investing activities					
Construction expenditures to properties under development	4	-	(4,688,032)	-	(11,389,803)
Capital expenditures on income properties	4	(1,892,453)	(16,906)	(3,348,840)	(60,791)
Construction expenditures to inventory properties	6	(432,922)	(278,075)	(559,582)	(278,075)
Contributions to equity accounted investment	5	-	-	(20)	-
Distributions from equity accounted investment	6	500,000	-	500,000	-
Cash used in investing activities		(1,825,375)	(4,983,013)	(3,408,442)	(11,728,669)
Financing activities					
Proceeds from mortgage financing, net of financing costs	17	27,241,271	6,658,441	31,839,258	9,723,796
Repayments of mortgage principal	17	(24,325,227)	(276,471)	(24,604,250)	(2,093,350)
Dividends paid	17	(73,485)	(84,945)	(146,628)	(175,426)
Cash provided by financing activities		2,842,559	6,297,025	7,088,380	7,455,020
Net change in cash		1,591,711	(477,388)	1,108,815	(39,267)
Cash, beginning of period		6,047,148	7,769,556	6,530,044	7,331,435
Cash, end of period		\$ 7,638,859	\$ 7,292,168	\$ 7,638,859	\$ 7,292,168
Supplemental cash flow information	17				

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

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Canadian dollars)
(Unaudited)

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

Urbanfund's interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Under International Financial Reporting Standards (IFRS), additional disclosures are required in annual financial statements, and therefore, these unaudited interim condensed consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019.

These interim condensed consolidated financial statements were authorized for issuance by the board of directors on August 26, 2021.

(b) Basis of presentation

The interim condensed consolidated financial statements are prepared on a going concern basis using the historical cost method modified to include fair value measurement of investment properties (note 4), as set out in the relevant accounting policies. The accounting policies set out below have been applied consistently in all material respects.

(c) Significant judgments, estimates and assumptions

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

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Company is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19 related impacts on the financial results and operations of the Company. Any estimates are therefore subject to significant uncertainty, and may materially and adversely affect the Company's operation and financial results.

In light of the COVID-19 pandemic, management has made judgements in determining the valuation inputs used in its internal valuation model to measure fair value of investment properties. The carrying value for the Company's investment properties reflects its best estimate for the highest and best use as at June 30, 2021.

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, 2020 and 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared using the same accounting policies and methods as those used in the consolidated financial statements for the year ended December 31, 2020.

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Canadian dollars)
(Unaudited)

4. INVESTMENT PROPERTIES

As at,	June 30, 2021	December 31, 2020
Income properties	\$ 97,441,000	\$ 61,074,000
Properties under development	-	31,034,743
	\$ 97,441,000	\$ 92,108,743

	Income properties	Properties under development	Total
Balance, January 1, 2021	\$ 61,074,000	\$ 31,034,743	\$ 92,108,743
Development expenditures:			
Capital expenditures	3,348,840	-	3,348,840
Transfer	31,034,743	(31,034,743)	-
Fair value adjustment on investment properties	1,983,417	-	1,983,417
Balance, June 30, 2021	\$ 97,441,000	\$ -	\$ 97,441,000

	Income properties	Properties under development	Total
Balance, January 1, 2020	\$ 55,839,000	\$ 11,331,041	\$ 67,170,041
Development expenditures:			
Capitalized costs	-	18,608,430	18,608,430
Finance costs	-	1,095,272	1,095,272
Capital expenditures	241,201	-	241,201
Fair value adjustment on investment properties	4,993,799	-	4,993,799
Balance, December 31, 2020	\$ 61,074,000	\$ 31,034,743	\$ 92,108,743

Valuation methodology

As highlighted in note 13, 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 June 30, 2021 and December 31, 2020, the capitalization rates used in valuing the commercial and residential properties are set out as follows:

	December 31, 2020			June 30, 2021		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Commercial properties	5.75%	7.75%	5.81%	5.75%	7.75%	5.80%
Residential properties	3.50%	5.25%	4.01%	3.50%	5.25%	4.13%

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, 2020			
Capitalization rate, decrease, 0.25%	\$ 3,035,200	\$ 3,684,000	\$ 4,331,600
Capitalization rate, as reported	(619,700)	-	603,100
Capitalization rate, increase, 0.25%	(3,860,800)	(3,283,000)	(2,704,200)
As at June 30, 2021			
Capitalization rate, decrease, 0.25%	\$ 3,072,100	\$ 3,727,100	\$ 4,382,200
Capitalization rate, as reported	(625,700)	-	609,700
Capitalization rate, increase, 0.25%	(3,905,400)	(3,321,300)	(2,736,200)

URBANFUND CORP.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Canadian dollars)
(Unaudited)

5. EQUITY ACCOUNTED INVESTMENTS

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

As at,		June 30, 2021	December 31, 2020
Equity investees	Principal activity		
Highfield Park Residential Inc. ("Highfield")	Owns and operates investment properties	20%	20%
Bellbrook Residential Inc. ("Bellbrook")	Owns and operates investment properties	20%	20%
West Mic Mac Properties Inc. ("Mic Mac")	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,	Highfield	Bellbrook	Mic Mac	June 30, 2021 Total	Highfield	Bellbrook	Mic Mac	December 31, 2020 Total
Balance, beginning of period	\$ 12,551,410	\$ 2,026,000	\$ 1,026,000	\$ 15,603,410	\$ 10,738,410	\$ 1,876,000	\$ -	\$ 12,614,410
Contributions (Distributions)	(500,000)	-	20	(499,980)	-	-	1,100,000	1,100,000
Share of net income	765,000	199,000	53,000	1,017,000	1,813,000	150,000	(74,000)	1,889,000
Balance, end of period	\$ 12,816,410	\$ 2,225,000	\$ 1,079,020	\$ 16,120,430	\$ 12,551,410	\$ 2,026,000	\$ 1,026,000	\$ 15,603,410

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

As at,	Highfield	Bellbrook	Mic Mac	June 30, 2021 Total	Highfield	Bellbrook	Mic Mac	December 31, 2020 Total
Current assets	\$ 2,649,780	\$ 363,289	\$ 723,048	\$ 3,736,118	\$ 4,728,185	\$ 599,229	\$ 765,846	\$ 6,093,260
Non-current assets	133,770,000	34,190,000	17,000,000	184,960,000	132,070,000	33,620,000	17,000,000	182,690,000
Current liabilities	(1,535,072)	(413,881)	(122,312)	(2,071,265)	(2,212,460)	(822,050)	(282,167)	(3,316,677)
Non-current liabilities	(70,802,659)	(23,014,411)	(12,205,634)	(106,022,704)	(71,828,677)	(23,267,177)	(12,353,678)	(107,449,532)
Net assets	\$ 64,082,050	\$ 11,124,998	\$ 5,395,102	\$ 80,602,149	\$ 62,757,048	\$ 10,130,002	\$ 5,130,001	\$ 78,017,051
Urbanfund's interest	\$ 12,816,410	\$ 2,225,000	\$ 1,079,020	\$ 16,120,430	\$ 12,551,410	\$ 2,026,000	\$ 1,026,000	\$ 15,603,410

Three months ended June 30,	Highfield	Bellbrook	Mic Mac	2021 Total	Highfield	Bellbrook	2020 Total
Revenue	\$ 3,450,000	\$ 628,000	\$ 364,000	\$ 4,442,000	\$ 3,322,770	\$ 607,448	\$ 3,930,219
Operating expenses	(1,594,000)	(235,000)	(133,000)	(1,962,000)	(1,567,319)	(334,162)	(1,901,482)
Interest expense	(667,000)	(153,000)	(66,000)	(886,000)	(684,229)	(157,728)	(841,957)
Fair value adjustment on investment properties	1,160,000	304,000	-	1,464,000	(11,222)	(5,557)	(16,779)
Net income	\$ 2,349,000	\$ 544,000	\$ 165,000	\$ 3,058,000	\$ 1,060,000	\$ 110,000	\$ 1,170,001
Income from equity accounted investments	\$ 470,000	\$ 109,000	\$ 33,000	\$ 612,000	\$ 212,000	\$ 22,000	\$ 234,000

Six months ended June 30,	Highfield	Bellbrook	Mic Mac	2021 Total	Highfield	Bellbrook	2020 Total
Revenue	\$ 6,840,000	\$ 1,250,000	\$ 713,000	\$ 8,803,000	\$ 6,628,790	\$ 1,211,718	\$ 7,840,508
Operating expenses	(3,280,000)	(506,000)	(310,000)	(4,096,000)	(3,400,154)	(613,674)	(4,013,828)
Interest expense	(1,331,000)	(306,000)	(135,000)	(1,772,000)	(1,361,836)	(458,297)	(1,820,133)
Fair value adjustment on investment properties	1,595,000	556,000	(3,000)	2,148,000	1,233,200	(9,747)	1,223,453
Net income	\$ 3,824,000	\$ 994,000	\$ 265,000	\$ 5,083,000	\$ 3,100,000	\$ 130,000	\$ 3,230,000
Income from equity accounted investments	\$ 765,000	\$ 199,000	\$ 53,000	\$ 1,017,000	\$ 620,000	\$ 26,000	\$ 646,000

6. INVENTORY PROPERTIES

In May 2020, the Company together with its joint venture partners, Takol Real Estate Inc. and 2074-84 Steeles Avenue East Inc., purchased 2074, 2080 and 2084 Steeles Avenue East, Brampton, Ontario for \$32,000,000. Urbanfund Corp. holds a 25% interest in this joint venture.

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

As at,	June 30, 2021	December 31, 2020
Balance, beginning of period	\$ 8,336,226	\$ -
Acquisition of inventory properties	-	8,000,000
Development expenditures	559,582	336,226
Balance, end of period	\$ 8,895,808	\$ 8,336,226

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Canadian dollars)
(Unaudited)

7. RECEIVABLES AND OTHER ASSETS

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

As at	Note	June 30, 2021	December 31, 2020
Accounts receivable		\$ 424,868	\$ 856,054
Refundable deposits		487,704	204,990
Investment in private company (2,083,333 common shares)		250,000	250,000
Amounts receivable	12	128,087	128,087
Prepaid expenses		147,541	73,737
		\$ 1,438,200	\$ 1,512,868

8. MORTGAGES PAYABLE

As at	June 30, 2021	December 31, 2020
Current	\$ 1,457,010	\$ 25,545,423
Non-current	60,326,403	29,002,982
	\$ 61,783,413	\$ 54,548,405

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				June 30, 2021	December 31, 2020
Property name(s)	Payment Terms	Maturity Date	Interest Rate		
Quebec Headw ay, Assumed Mortgages	MBPI	(i)	(i)	\$ 1,887,583	\$ 1,987,376
305 North Front Centre	MBPI	October 5, 2022	3.95%	9,206,056	9,345,111
Quebec Headw ay, Vendor Take Back	MBPI	May 1, 2023	4.50%	2,147,425	2,214,983
476-480 Wonderland Road	MBPI	June 5, 2023	4.35%	1,011,494	1,042,823
2074, 2080, 2084 Steeles Avenue Esat	IO	June 30, 2023	Prime + 1.25%	6,000,000	6,000,000
2074, 2080, 2084 Steeles Avenue Esat	IO	April 11, 2024	Prime + 1.75%	329,261	-
3080-3094 Don Mills & 200 Van Horne	MBPI	March 1, 2025	2.52%	9,924,399	10,129,434
59 Weber Street	MBPI	March 1, 2031	2.65%	31,415,932	23,987,288
Mortgages payable				\$ 61,922,150	\$ 54,707,015
Less: Unamortized mortgage financing costs				(138,737)	(158,610)
				\$ 61,783,413	\$ 54,548,405

- (i) Quebec Headw ay assumed mortgages payable are made up of 4 mortgages outstanding on the income properties of Quebec Headw ay. The weighted average remaining life is 2.75 years (December 31, 2020 - 3.18 years) and bear a weighted average interest rate of 3.15% (December 31, 2020 - 3.11%).

Minimum principal payments over the following years are as follows:

2021 (remainder of the year)	\$ 796,338
2022	10,259,414
2023	10,188,074
2024	1,749,846
2025	8,960,179
Thereafter	29,968,299
	61,922,150
Unamortized mortgage financing costs	(138,737)
	\$ 61,783,413

URBANFUND CORP.
NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020

(In Canadian dollars)
(Unaudited)

9. EQUITY

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Basic income per share				
Net income attributable to shareholders	\$ 1,316,475	\$ 566,521	\$ 2,743,942	\$ 2,320,712
Weighted average common shares outstanding	50,230,316	48,198,315	50,017,978	47,925,596
Basic income per share	\$ 0.026	\$ 0.012	\$ 0.055	\$ 0.048
Diluted income per share				
Net income attributable to shareholders	\$ 1,316,475	\$ 566,521	\$ 2,743,942	\$ 2,320,712
Weighted average common shares outstanding	50,230,316	48,198,315	50,017,978	47,925,596
Dilutive effect of preferred shares	7,425,000	7,425,000	7,425,000	7,425,000
Weighted average common shares outstanding, diluted	57,655,316	55,623,315	57,442,978	55,350,596
Diluted income per share	\$ 0.023	\$ 0.010	\$ 0.048	\$ 0.042

10. DIVIDENDS PAID AND DIVIDEND REINVESTMENT PLAN

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

On June 22, 2021, Urbanfund amended its Dividend Policy to increase the annual dividend rate to \$0.05 per common share and \$0.05 per Series A preferred share, or 67% increase from the previous year, payable quarterly in the amount of \$0.0125 per common share and Series A preferred share.

For the six months ended June 30, 2021, Urbanfund issued 924,460 common shares valued at \$708,972 to participants enrolled in the DRIP (June 30, 2020 – 1,005,271 and \$647,908). For the six months ended June 30, 2021, total dividends paid during the period was \$146,628 (June 30, 2020 - \$175,426). As at June 30, 2021, dividends payable was \$721,505 (December 31, 2020 - \$425,834).

11. RENTAL REVENUE

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Base rent	\$ 1,233,102	\$ 1,068,412	\$ 2,383,719	\$ 2,162,636
Realty tax recoveries	74,870	102,560	181,374	207,792
Common area maintenance recoveries	115,014	53,846	260,279	162,998
Percentage rent	49,302	53,608	58,895	55,890
Miscellaneous revenue	92,303	(1,331)	97,757	41,878
	\$ 1,564,591	\$ 1,277,095	\$ 2,982,024	\$ 2,631,194

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

Revenue from Contracts with Customers

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Inventory property sales	\$ -	\$ -	\$ -	\$ 4,851,350
Common area maintenance recoveries	115,014	53,846	260,279	162,998
Parking revenue	15,251	9,643	25,632	19,337
	\$ 130,265	\$ 63,489	\$ 285,911	\$ 5,033,685

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12. RELATED PARTY BALANCES AND TRANSACTIONS

Included in amounts receivable within receivables and other assets (note 7) is \$128,087 (December 31, 2020 - \$128,087) of amounts due from a corporation that is also a shareholder of the Company.

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

As at	June 30, 2021		December 31, 2020	
<i>Property management fees, included in:</i>				
Accounts payable and accrued liabilities	\$	107,049	\$	53,952
<i>Management cost reimbursements, included in:</i>				
Accounts payable and accrued liabilities	\$	44,671	\$	49,475

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<i>Property management fees, included in:</i>				
Rental expenses	\$ 28,353	\$ 28,991	\$ 54,937	\$ 56,340
Income from equity accounted investment, net	30,592	27,339	59,537	54,014
<i>Management cost reimbursements, included in:</i>				
Rental expenses	\$ 50,846	\$ 45,084	\$ 99,037	\$ 92,104
Income from equity accounted investment, net	52,785	45,484	101,084	92,699

The marketable securities owned by Urbanfund are held at a brokerage that is partially owned, directly or indirectly, by common shareholders who are also directors of the Company. At June 30, 2021, there was \$22,429 (December 31, 2020 - \$22,769) in cash held by the brokerage.

There has been no compensation paid to key management personnel during the six months ended June 30, 2021 and 2020.

13. 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	Note	June 30, 2021			December 31, 2020		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets measured at fair value:</i>							
Cash and cash equivalents	4	\$ 7,638,859	\$ -	\$ -	\$ 6,530,044	\$ -	\$ -
Income properties		-	-	97,441,000	-	-	61,074,000
Total assets measured at fair value		\$ 7,638,859	\$ -	\$ 97,441,000	\$ 6,530,044	\$ -	\$ 61,074,000

For assets measured at fair value as at June 30, 2021 and December 31, 2020, there were no transfers between Level 1, Level 2 and Level 3.

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

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

Investment in private company

The fair value of the investment in private company included in receivables and other assets (note 7) 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 \$60,086,000 (December 31, 2020 - \$54,378,000) based on the interest rates obtainable for similar financial instruments in the current market place.

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14. 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.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on the Company is unknown at this time but has resulted in the federal and provincial governments enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in an economic slowdown. Uncertain economic conditions resulting from the COVID-19 outbreak may, in the short or long term, materially adversely impact: the Company's tenants, and their ability to pay rent (credit risk); and/or the debt and equity market and Company's ability to access debt and/or capital on acceptable terms, or at all (liquidity risk), all of which could materially adversely affect the Company's operations and financial performance.

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 \$600,167 (December 31, 2020 - \$100,783).

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	\$ 1,866,818	\$ -	\$ -	\$ -
Mortgages payable	796,338	10,259,414	20,898,099	29,968,299

15. 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 six months ended June 30, 2021 and 2020.

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16. 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.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Interest received	\$ 6,463	\$ 10,948	\$ 12,964	\$ 59,515
Interest paid	(459,998)	(212,755)	(716,587)	(440,254)
Dividends paid:				
Dividends declared during the period	\$ (123,406)	(76,476)	\$ (196,890)	(166,929)
Dividends declared in the prior year, paid in the current period	(73,485)	(87,699)	(73,144)	(87,727)
Dividends declared in the current year paid in next period	123,406	79,230	123,406	79,230
Dividends paid	\$ (73,485)	\$ (84,945)	\$ (146,628)	\$ (175,426)

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Balance, beginning of period	\$ 59,016,085	\$ 34,660,638	\$ 54,707,015	\$ 33,412,223
Cash flows				
Proceeds from mortgage financing	27,241,271	12,658,441	31,839,258	15,723,796
Repayments of mortgage principals	(24,325,227)	(276,471)	(24,604,250)	(2,093,350)
Non-cash changes:				
Deferred financing costs	(9,979)	(20,175)	(19,873)	(20,236)
Balance, end of period	\$ 61,922,150	\$ 47,022,433	\$ 61,922,150	\$ 47,022,433

18. ADJUSTMENTS FOR OTHER NON-CASH WORKING CAPITAL ITEMS

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Receivables and other assets	\$ 317,460	\$ (34,493)	\$ 74,668	\$ (475,495)
Accounts payable and accrued liabilities	(54,488)	(203,895)	(2,621,806)	1,256,172
Income taxes	(260,000)	51,000	(870,092)	452,000
Tenant deposits	48,139	51,560	106,415	52,861
Deferred financing costs and other	6,463	10,949	12,964	81,926
Net change in other working capital items	\$ 57,574	\$ (124,879)	\$ (3,297,851)	\$ 1,367,464

19. 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.