



URBAN SELECT CAPITAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended December 31, 2017

(Unaudited)

(Expressed in Canadian dollars unless otherwise stated)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL REPORT

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

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

	December 31, 2017	June 30, 2017
	\$	\$
ASSETS		
Current Assets		
Cash	83,346	49,674
Other receivables	2,038	14,578
Prepaid expenses and deposits	8,661	22,438
Investments (Note 3)	24,928	24,706
	118,973	111,396
Non-current Assets		
Investments (Note 3)	118,489	118,489
Equipment (Note 4)	3,464	4,590
	121,953	123,079
Total Assets	240,926	234,475
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	78,035	71,726
Loan payables (Note 6)	658,500	658,500
Total Liabilities	736,535	730,226
Equity		
Shareholder's equity		
Share capital (Note 7)	4,504,999	4,504,999
Share-based payments reserve	1,208,208	1,208,208
Deficit	(6,180,589)	(6,182,657)
Total shareholder's (deficiency) equity	(467,382)	(469,450)
Non-controlling interests (Note 10)	(28,227)	(26,301)
Total equity	(495,609)	(495,751)
Total Liabilities and Equity	240,926	234,475

Going concern (Note 1)
Contingent liabilities (Note 14)
Subsequent events (Note 15)

These condensed interim consolidated financial statements were authorized for issue by the board of directors on February 26, 2018 and were signed on its behalf by:

“Min Kuang”

Director

“David Yoo”

Director

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

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

	Three months ended		Six months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	\$	\$	\$	\$
REVENUES				
Realized gain on sale of investments	-	-	-	617
Unrealized gain on investments	3,862	13,249	223	17,651
Dividend and interest income	354	1	63	1
Advisory income	15,441	-	91,187	-
Management fee income	-	3,600	-	3,600
	<u>19,657</u>	<u>16,850</u>	<u>91,473</u>	<u>21,869</u>
EXPENSES				
Accounting and audit	3,000	3,250	5,500	3,250
Artwork production fees	-	-	2,782	-
Consulting (Note 9)	2,850	42,454	11,757	81,414
Depreciation	545	465	1,126	797
Filing and transfer agent fees	5,119	3,011	6,452	5,197
Foreign exchange loss (gain)	-	(1,758)	8	(2,648)
Interest expense	8,086	7,561	15,464	15,123
Legal	10,327	(7,063)	19,616	(5,803)
Office and miscellaneous	8,092	12,245	9,720	17,160
Public relations and conferences	75	294	75	498
Rent	-	18,967	7,706	25,632
Travel and promotion	700	6,706	700	18,337
Wages and salaries	-	-	10,425	-
	<u>(38,794)</u>	<u>(86,132)</u>	<u>(91,331)</u>	<u>(158,957)</u>
Net income (loss) and total comprehensive income (loss) for the period	<u>(19,137)</u>	<u>(69,282)</u>	<u>142</u>	<u>(137,088)</u>
Net income (loss) and comprehensive income (loss) attributable to				
Equity holders of the Company	(18,747)	(54,696)	2,068	(122,502)
Non-controlling interest	(390)	(14,586)	(1,926)	(14,586)
	<u>(19,137)</u>	<u>(69,282)</u>	<u>142</u>	<u>(137,088)</u>
Basic and diluted income (loss) per share attributable to equity holders of the Company	<u>(0.00)</u>	<u>(0.00)</u>	<u>0.00</u>	<u>(0.00)</u>
Weighted average number of common shares outstanding	<u>40,903,000</u>	<u>40,903,000</u>	<u>40,903,000</u>	<u>40,903,000</u>

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

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

(Expressed in Canadian dollars unless otherwise stated)

	Number of shares	Share capital	Share-based payments reserve	Deficit	Non- controlling interests (Note 11)	Total equity
		\$	\$	\$	\$	\$
Balance, July 1, 2017	40,903,000	4,504,999	1,208,208	(6,182,657)	(26,301)	(495,751)
Comprehensive income (loss)						
Total comprehensive income (loss) for the period	-	-	-	2,068	(1,926)	142
Balance, December 31, 2017	40,903,000	4,504,999	1,208,208	(6,180,589)	(28,227)	(495,609)
Balance, July 1, 2016	40,903,000	4,504,999	1,208,208	(5,566,161)	-	147,046
Shares issued to non-controlling interests	-	-	-	-	74,970	74,970
Comprehensive loss						
Total comprehensive loss for the period	-	-	-	(122,502)	(14,586)	(137,088)
Balance, December 31, 2016	40,903,000	4,504,999	1,208,208	(5,688,663)	60,384	84,928

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

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

	Six months ended	
	December 31, 2017	December 31, 2016
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the period	142	(137,088)
Items not affecting cash:		
Depreciation	1,126	797
Realized gain on sale of investments	-	(617)
Unrealized gain on investments	(223)	(17,651)
Changes in non-cash working capital items:		
Other assets	-	(46,111)
Other receivables	12,541	1,774
Prepaid expenses and deposits	13,777	(19,500)
Due from related parties	-	(13,237)
Accounts payable and accrued liabilities	6,309	(3,263)
Cash provided by (used in) operating activities	33,672	(234,896)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(4,990)
Proceeds from sale of investments	-	286,549
Cash provided by investing activities	-	281,559
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from shares issued to non-controlling interests	-	74,970
Loan advances received	-	13,500
Loan advances made	-	(130,000)
Cash used in financing activities	-	(41,530)
Change in cash during the period	33,672	5,133
Cash and cash equivalents, beginning of the period	49,674	150,746
Cash and cash equivalents, end of the period	83,346	155,879

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

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

1. NATURE OF BUSINESS AND GOING CONCERN

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

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

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception and had an accumulated deficit of \$6,180,589 as at December 31, 2017. As at December 31, 2017, the Company has \$613,500 loan payables and accrued interest of \$46,736 outstanding. One of the lenders holding \$300,000 loan principal filed a claim with the Supreme Court of British Columbia on February 16, 2017 demanding for immediate payment of the loan principal and the related interest for a total of \$311,250 (see Note 6 and 14). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and settle the outstanding loans payable on reasonable terms, and/or to commence profitable operations in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Although the Company has been successful in raising funds in the past, there is no assurance that it will be able to obtain adequate financing in which case the Company may be unable to meet its obligations. Management, after reviewing the current cash position and having considered the Company’s ability to raise funds in the short-term, has adopted the going concern basis in preparing its financial statements.

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

Operating results for the three and six months ended December 31, 2017, are not necessarily indicative of the results that may be expected for the year ending June 30, 2018.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all of the disclosures required for a complete set of annual financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2017. These condensed interim consolidated financial statements follow the same basis of preparation set out in Note 2 and significant accounting policies set out in Note 3 to the audited consolidated financial statements for the year ended June 30, 2017.

b) Basis of consolidation

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

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

During the three months ended December 31, 2017, the Company incorporated 1137182 B.C. Ltd. (“1137182”) and 1137188 B.C. Ltd. (“1137188”), wholly-owned subsidiaries of the Company. At the Company’s annual and special meeting of its shareholders held November 21, 2017, the shareholders approved a plan of arrangement involving the Company and each of 1137182 and 1137188 (the “Subsidiaries”) whereby the Company would finance each Subsidiary with \$75,000 in exchange for 1,500,000 common shares of each Subsidiary. As a consequence, each of the Subsidiaries would become a reporting issuer in British Columbia and Alberta. On December 13, 2017, Company entered into an amended and restated plan of arrangement (the “A&R Arrangement”) with respect to 1137188 whereby one of the creditors of the Company will receive 1137188, once it is a reporting issuer, in settlement of all amounts owing to the creditor (see Note 6). The plan of arrangement with respect to 1137182 and the A&R Arrangement with respect to 1137188 was approved by the Supreme Court of British Columbia on December 18, 2017. At December 31, 2017, the Company had not paid \$75,000 to 1137182, and common shares of 1137182 and 1137188 under the plan of arrangement and A&R Arrangement had not been issued.

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

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

3. INVESTMENTS

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

	Number of Shares	Average Cost	Fair Value
		\$	\$
Common shares of publicly traded companies			
Investments in common shares of public entities		369,382	24,928
Common shares of privately held companies			
BoardSuite Corp.	400,000	200,000	-
CICINO Corporation	925,000	92,500	-
Deserving Health International Corp.	78,992	19,748	19,748
Desource Mining Corp.	394,962	19,748	-
Yaletown Energy Capital Corp.	394,962	-	98,741
		331,996	118,489
Preferred shares of privately held companies			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		361,996	118,489
Balance, December 31, 2017		731,378	143,417
	Number of Shares	Average Cost	Fair Value
		\$	\$
Common shares of publicly traded companies			
Investments in public companies		369,382	24,706
Common shares of privately held companies			
BoardSuite Corp.	400,000	200,000	-
CICINO Corporation	925,000	92,500	-
Deserving Health International Corp.	78,992	19,748	19,748
Desource Mining Corp.	394,962	19,748	-
Yaletown Energy Capital Corp.	394,962	-	98,741
		331,996	118,489
Preferred shares of privately held companies			
CICINO Corporation	150,000	30,000	-
Total investments in privately held companies		361,996	118,489
Balance, June 30, 2017		731,378	143,195

For the three and six months ended December 31, 2017, the Company recorded an unrealized gain of \$3,862 and \$223 (2016 - \$13,249 and \$17,651) as a result of a change in fair value of its investments, respectively.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

4. EQUIPMENT

	Computer equipment	Computer software	Office furniture	Total
	\$	\$	\$	\$
Cost				
Balance as at June 30, 2017	9,325	856	3,018	13,199
Additions	-	-	-	-
Balance as at December 31, 2017	9,325	856	3,018	13,199
Accumulated depreciation				
Balance as at June 30, 2017	7,250	856	503	8,609
Depreciation	824	-	302	1,126
Balance as at December 31, 2017	8,074	856	805	9,735
Carrying amount as at December 31, 2017	1,251	-	2,213	3,464

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

During the six months ended December 31, 2016, the Company purchased computer equipment of \$1,972 and office furniture of \$3,018 from CICINO Corporation (“CICINO”), an investee company of which the Company’s Chief Executive Officer (the “CEO”) is also a shareholder of CICINO, and was also the president and director of CICINO until December 31, 2016. The Company did not purchase any equipment during the six months ended December 31, 2017.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

5. LOAN RECEIVABLES

Pursuant to a general security agreement dated February 20, 2015 between CICINO and the Company, CICINO grants to the Company a security interest in the collateral (the "Collateral") to secure the payment of all obligations, indebtedness and liabilities of CICINO to the Company. The Collateral includes inventory, equipment, accounts receivable, intangibles, other personal property of CICINO (collectively referred to as the "Properties") and proceeds derived from sale, lease or other dispositions of any Properties. CICINO has no rights to sell, lease or dispose of any of the Collateral except for a sale of inventory in the ordinary course of business.

As at December 31, 2017, the total amount of loan principal outstanding was \$685,000 (June 30, 2017 - \$685,000), of which:

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

As at December 31, 2017, the carrying amount of loan receivables from CICINO, net of a provision of \$685,000, was \$Nil (June 30, 2017 - \$Nil). As at December 31, 2017, loan interest receivable from CICINO in the amount of \$64,575 (June 30, 2017 - \$46,553) has not been accrued. The fair value of the conversion feature embedded in the loan agreements is not material.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

6. LOAN PAYABLES

On December 11, 2015, the Company signed a loan agreement in the amount of \$150,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until pay in full. The loan matured on November 25, 2016. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. This loan is outstanding as at December 31, 2017. The Company is in the process of negotiating with this lender for settlement options.

On January 19, 2016, the Company entered into a loan agreement in the amount of \$150,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until pay in full. The loan matured on January 19, 2017. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. This loan is outstanding as at December 31, 2017. The Company is in the process of negotiating with this lender for settlement options.

On April 1, 2016, the Company entered into a loan agreement in the amount of \$300,000 with a strategic investor. Interest will accrue on the principal amount at the rate of 5% per annum payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until paid in full. The loan matured on April 19, 2017. The Company has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. The lender has the option to convert all of the entire principal amount and unpaid interest into common shares of the Company at a conversion price of \$0.02 per share if the conversion occurs on or prior to June 30, 2016 (the "Lender's Conversion Option"). The Lender's Conversion Option expires unexcused. The fair value of the Lender's Conversion Option embedded in the loan agreement is not material due to the relatively short conversion period. The Company can pay in the form of the Company's common shares for any debt and /or interest that the lender has called for payment under this agreement. On December 13, 2017, Company entered into the A&R Arrangement with respect to 1137188 whereby this creditor will receive 1137188, once it is a reporting issuer, in settlement of all amounts owing to such creditor. The A&R Arrangement with respect to 1137188 was approved by the Supreme Court of British Columbia on December 18, 2017. At December 31, 2017, common shares of 1137188 under the A&R Arrangement had not been issued and as a result, this loan is outstanding as at December 31, 2017 (see Note 14).

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

On November 24, 2016, Bellini entered into a loan agreement in the amount of \$13,500 with the non-controlling interest shareholder of Bellini. Interest will accrue on the principal amount at the rate of 5% per annum, payable quarterly. The overdue interest amount will be added to the principal balance and will bear interest at 5% per annum until paid in full. The loan matured on November 25, 2017. Bellini has the option of pre-paying the principal and all outstanding interest accrued at any time without penalty. Bellini can pay in the form of Bellini's common shares for any debt and /or interest that the lender has called for payment under this agreement. This loan is outstanding as at December 31, 2017.

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

As at December 31, 2017, loan interest payable in the amount of \$46,736 (June 30, 2017 - \$31,272) is included in the accounts payable and accrued liabilities.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

7. SHARE CAPITAL**Authorized share capital**

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

Issued share capital

No shares were issued by the Company during the six months ended December 31, 2017 (2016 - Nil).

Basic and diluted loss per share

All stock options and share purchase warrants were anti-dilutive for the three and six months ended December 31, 2017 and 2016.

8. SHARE-BASED PAYMENTS

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

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Options outstanding, July 1, 2016	1,480,000	0.20
Options forfeited	(1,480,000)	0.20
Options outstanding, December 31, 2016, June 30, 2017 and December 31, 2017	-	-
Options exercisable, December 31, 2016 and 2017	-	-

No stock options were granted during the six months ended December 31, 2017 and 2016. All stock options granted in prior years were fully vested and the Company did not have share-based compensation during the three and six months ended December 31, 2017 and 2016.

URBAN SELECT CAPITAL CORPORATION

Notes to Condensed Interim Consolidated Financial Statements

(Unaudited, expressed in Canadian dollars unless otherwise stated)

9. RELATED PARTY TRANSACTIONS

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

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

	Three months ended		Six months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	\$	\$	\$	\$
Consulting fees (a)	2,250	40,750	10,500	76,000

Key management personnel were not paid any termination payments, post-employment benefits or other long-term benefits during the three and six months ended December 31, 2017 and 2016.

The Company entered into the following transactions with related parties during the three and six months ended December 31, 2017 and 2016:

- (a) The Company paid its CEO, who is also a director of the Company, \$11,000 per month for the management consulting services rendered. Effective January 1, 2017, the consulting fee is reduced to \$6,000 per month. The CEO's services were provided pursuant to a management services contract with Asia Select Asset Management Inc. ("Asia Select"), a private company controlled by the CEO. In addition, Bellini also entered into a consulting agreement with Asia Select and the CEO on October 1, 2016, amended April 1, 2017, pursuant to which Bellini agreed to pay \$5,500 per month for the management consulting services, rendered effective November 1, 2016 (the "Bellini Consulting Agreement"). The Bellini Consulting Agreement was terminated on June 30, 2017. During the three and six months ended December 31, 2017, the Company incurred total consulting fee of \$Nil and \$6,000 (2016 - \$33,000 and \$66,000) to the CEO and \$2,250 and \$4,500 (2016 - \$2,250 and \$4,500) to the CFO, who is also a director of the Company, respectively.
- (b) Purchased of equipment from CICINO in the amount of \$Nil (2016 - \$4,990) (see Note 4).
- (c) Advanced loans to CICINO of \$Nil (2016 - \$130,000) (see Note 5).
- (d) The Company entered into an agreement with the CEO on August 2, 2016, of which the CEO granted to Bellini a revocable consent to use the name "Bellini Fine Art Inc." and "Bellini Fine Art" for a period of three years at no cost.

The balance of due to related parties as at December 31, 2017 is included in the accounts payable and accrued liabilities, and is comprised of:

- \$17,325 (June 30, 2017 - \$17,325) representing the unpaid consulting fee owed to a company controlled by the CEO, who is also a director of the Company.
- \$750 (June 30, 2017 - \$750) representing the unpaid consulting fee owed to the CFO of the Company.
- \$6,703 (June 30, 2017 - \$6,737) representing advance made by the CEO of the Company. The advance is unsecured, non-interest bearing, and has no specific terms of repayment.

URBAN SELECT CAPITAL CORPORATION

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10. NON-CONTROLLING INTERESTS

Non-controlling interests consist of 49.5% of the equity interest in Bellini and limited partner's interest in Art Flow. There are no significant restrictions on the Company's ability to access or use the assets and settle the liabilities of Bellini. During the three and six months ended December 31, 2017 and 2016, no dividends were paid by Bellini to its non-controlling interests.

Pursuant to the Limited Partnership Agreement dated September 21, 2016, Art Flow is authorized to issue 225 limited partnership units. Each unit consists of one class A unit and one class B unit. The initial limited partner is Asia Select, a private entity controlled by the CEO who is also the sole director of Art Flow (the "Initial Limited Partner"). Pursuant to the agreement, the Initial Limited Partner will acquire 1 class B unit at a consideration of US\$10. The future limited partner may acquire the unit at a price of US\$10,000 or such other amount as is approved in accordance with the Limited Partnership Agreement. In December 2016, Art Flow issued additional 5 units for US\$50,000. As at December 31, 2017, Art Flow has 5 (June 30, 2017: 5) class A units and 6 (June 30, 2017: 6) class B units issued and outstanding. Art Flow shall continue until the earlier of (a) the date on which it is dissolved by operation of law or by judicial decree on January 1, 2020 or (b) the bankruptcy, dissolution or winding up of the general partner or the occurrence of any other event which would permit a trustee or receiver to acquire control of the general partner. The term of Art Flow may be extended by special resolution passed at least 60 days prior to January 1, 2019. The limited partner represents the non-controlling interest of Art Flow and its liability for debts, liabilities, losses and obligations of Art Flow is limited to the amount of the capital contributed by the limited partner. Prior to January 1, 2017, 0.01% and 99.99% of the net loss/income of Art Flow shall be allocated to the general partner and the limited partner, respectively. Thereafter, 50% of the net income of Art Flow shall be allocated the limited partner (or 50% of net loss to the extent of the limited partner's remaining contributions) and the remaining loss would be allocated to the general partner. The limited partner may elect to redeem its unit from time to time for the artwork generated by Art Flow in the manner determined by the general partner. Each holder of class A unit has a right to receive two prints of artwork designated by the general partner prior to November 30, 2017.

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

	\$
Balance, July 1, 2016 and October 1, 2016	-
Non-controlling interest's contributions	74,970
Non-controlling interest's share of loss	(14,586)
Balance, December 31, 2016	60,384
Non-controlling interest's contributions	65,785
Non-controlling interest's share of loss	(152,470)
Balance, June 30, 2017	(26,301)
Non-controlling interest's share of loss	(1,926)
Balance, December 31, 2017	(28,227)

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10. NON-CONTROLLING INTERESTS (continued)

The summarized consolidated financial information of Bellini is as follows:

	December 31, 2017		June 30, 2017	
	\$		\$	
Current assets	5,539		5,616	
Current liabilities	(92,897)		(89,145)	
Shareholder's deficiency	(87,358)		(83,529)	

	Three months ended		Six months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	\$	\$	\$	\$
Revenue	-	3,600	-	3,600
Net loss and comprehensive loss	(756)	(29,468)	(3,829)	(29,468)
Cash flow provided by (used) in operating activities	43	(96,043)	1,335	(96,043)

11. FINANCIAL INSTRUMENTS

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

Fair Value

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

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

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

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

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

December 31, 2017	Level 1		Level 2		Level 3		Total
<u>Financial assets</u>							
Cash	\$	83,346	\$	-	\$	-	\$ 83,346
Investments	\$	24,928	\$	-	\$	118,489	\$ 143,417
June 30, 2017	Level 1		Level 2		Level 3		Total
<u>Financial assets</u>							
Cash	\$	49,674	\$	-	\$	-	\$ 49,674
Investments	\$	24,706	\$	-	\$	118,489	\$ 143,195

11. FINANCIAL INSTRUMENTS (continued)

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

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

	Equity securities of private companies
July 1, 2016	368,489
Securities sold	(250,000)
December 31, 2016, June 30, 2017 and December 31, 2017	\$ 118,489

Risk management

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

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk with respect to its cash are minimal as it is held with high-credit quality financial institutions. The Company's credit exposure to loan receivables from CICINO is equal to its carrying amount. The Company has reviewed the financial conditions of CICINO and maintained a provision of \$685,000 towards the loan as at December 31, 2017. The Company manages credit risk on its investments through thoughtful planning, strict investment selection criteria and significant due diligence of investment opportunities. Management and the Board of Directors review the financial condition of the investee companies regularly.

Liquidity risk

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

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

Market risk

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

As at December 31, 2017, 17% of the investments were made up of investment in publicly-traded companies. If security market prices were higher or lower by 5% as at December 31, 2017, the carrying value of its investments and unrealized gains (losses) on investments would be increased or decreased by approximately \$1,246, respectively.

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

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

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12. CAPITAL MANAGEMENT

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

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

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to meet its objectives, by realizing proceeds from the disposition of its investments and raising funds through equity financings. There were no changes in the Company's approach to capital management during the six months ended December 31, 2017. The Company is not subject to externally imposed capital requirements.

13. OPERATING SEGMENTS

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

14. CONTINGENT LIABILITIES

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

One of the loan lenders holding \$300,000 loan principal filed a claim with the Supreme Court of British Columbia on February 16, 2017 claiming that permission the Company to settle the debt in the form of the Company's common share was a misrepresentation and demanding for immediate payment of the loan principal and the related interest for a total of \$311,250. On December 13, 2017, Company entered into the A&R Arrangement with respect to 1137188 whereby this creditor will receive 1137188, once it is a reporting issuer, in settlement of all amounts owing to such creditor. The A&R Arrangement with respect to 1137188 was approved by the Supreme Court of British Columbia on December 18, 2017. The loan principal and the related accrued interest have been included in the condensed interim consolidated financial statements for the three and six months ended December 31, 2017 (see Note 6). On January 11, 2018, the Company entered into a mutual release agreement with the creditor whereby the Company and the creditor mutually agree to terminate the loan agreement and discharge all actions and claims related to the loan.

15. SUBSEQUENT EVENTS

On January 23, 2018, the Company entered into a promissory with a borrower in the amount of \$50,000. The principal is non-interest bearing and repayable in full on March 1, 2018.

On February 6, 2018, the Company entered into an agreement with a financial advisor, of which the Company will pay the to the financial advisor a finder's fee of 8% on the gross proceeds raised in debt or equity financings introduced by the financial advisor.

Also see Note 14.