

URBANA
CORPORATION

2015

2015 ANNUAL REPORT

Corporate Information

EXECUTIVE OFFICE:

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Facsimile: (416) 862-2498

TRANSFER AGENT & REGISTRAR:

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P.O. Box 700
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AUDITORS: DELOITTE, LLP

Deloitte LLP
Bay Adelaide East
22 Adelaide Street West
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Toronto, ON M5H 0A9
Canada

DIRECTORS & OFFICERS OF THE COMPANY:

Thomas S. Caldwell, C.M.
Director, President and CEO
Toronto, Ontario

Bethann Colle
Director
Toronto, Ontario

George D. Elliott
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

Charles A.V. Pennock
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer

Harry K. Liu
General Counsel and Corporate Secretary

Urbana Corporation's Common
Shares and Non-Voting Class A
Shares are listed for trading on
the Toronto Stock Exchange and
the Canadian Securities Exchange.
Ticker Symbols:
URB (Common Shares)
URB.A (Non-Voting Class A Shares)

Website: www.urbanacorp.com

URBANA CORPORATION

Report to Shareholders

2015 challenged all investors. The fundamental concerns were an economic slowdown in China along with worries regarding their currency, capital markets and corporate debt levels. Other factors were the economic slowdown in the Eurozone, collapsing oil and metal prices, near zero interest rates (impacting financial services), political concerns (North America and Europe) and a destabilized Middle East accompanied by terrorism on a world scale.

Adding to these, and many other economic and political concerns, was the high stock market volatility resulting, in great measure, from newer financial products and their now immense size (Exchange Traded Funds "ETFs"), high frequency trading, program trading and certain hedging operations. All of these technical factors create a "piling on effect" which exacerbates stock price movements (up or down).

These factors are now a permanent fact of stock market life. As a by-product, share prices are becoming relatively less affected by corporate and economic fundamentals.

Urbana Corporation ("Urbana") had a positive 2015 relative to most indices, which finished the year in negative territory.

During the year our marketable securities trading reflected a decision to reduce our concentrations in companies such as the Chicago Board Options Exchange and our U.S. bank holdings and to capitalize on the high U.S. dollar relative to the Canadian dollar. This represented a significant portfolio shift in order to protect profits.

We began a move to what we refer to as "Canada Inc." - Canadian banks, energy and metals producers. All had declined significantly relative to Urbana's U.S. holdings. We were somewhat early in this move, so by year-end we were showing some losses in these positions. All were back up by March 2016. We did reduce some of these and earlier positions to offset our gains (thus reducing taxes) for the year.

Our private equity investments, such as Real Matters and the Canadian Securities Exchange, performed well overall and helped Urbana to outperform during 2015.

Urbana also continued its buy back of the company's "A" shares with the purchase and cancellation of 4,159,800 shares during calendar 2015. Urbana has traditionally bought back the maximum number of shares allowable each year under Normal Course Issuer Bid ("NCIB") rules. Looking into 2016, it appears that share offerings have thinned out. This may result in reduced purchases, despite our best efforts. If and when larger blocks of "A" shares become available, it is our intention, under the NCIB rules, to acquire them.

URBANA

CORPORATION

One position we have held for some time has been the Bombay Stock Exchange ("BSE"). In 2015, Urbana joined with others to engage both a public relations firm and legal counsel in India to press the case for a public offering of BSE shares (an "IPO"). This combination of media and legal pressure on both regulators and government appears to be getting some positive results.

On March 12, 2016, SEBI (the Indian securities market regulator) gave "Approval in principal" for the BSE to become a publicly traded company, that is, to do an IPO. This will provide Urbana with market liquidity one year after the IPO. We are encouraged, but years of delay cause us to have some caution as to timing.

Looking forward, we see some improvement in the oil and metal sectors, continuing low interest rates and slow to moderate economic growth world-wide. These expectations are manifested in the "Canada Inc." component of our investments.

In regard to Urbana's U.S. bank holdings, government pressures, fines and civil law suits have hurt share prices. These factors may result in a positive outcome, one which sees the large U.S. banks break themselves up into investment banks and commercial banks in order to avoid the "too big to fail" constraints. History has shown that corporate break ups have been consistently positive for share prices. Standard Oil, AT&T, General Electric and Canadian Pacific are cases in point.

Our experience in 2015 reinforced our conviction that, in volatile markets, active management can provide better returns than indexed based management styles.

Urbana's management team combines private equity investment with an actively managed portfolio of publicly traded securities. Urbana's investment performance over the years validates this thesis and operating style.

On behalf of the Board of Directors

Thomas S. Caldwell, C.M.

URBANA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2015

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of Urbana Corporation ("Urbana" or the "Corporation") and notes thereto for the year ended December 31, 2015 (the "Annual Audited Financial Statements"). Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Annual Audited Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts shown in this MD&A, unless otherwise specified, are presented in Canadian dollars. This MD&A is current as of March 29, 2016. The Corporation's Audit Committee has reviewed this document, and prior to its release the Corporation's Board of Directors approved it, on the Audit Committee's recommendation.

You can obtain information relating to the Corporation, including the Corporation's annual information form and 2015 Annual Report, at no cost, by calling Urbana collect at (416) 595-9106, by writing to us at: 150 King Street West, Suite 1702, Toronto, Ontario M5H 1J9 or by visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

CHANGE OF REPORTING REGIME

In 2005, the Corporation became an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted to authorize the Corporation, at the sole discretion of its board of directors, from time to time, to seek to exercise control over issuers in which it invests, such that the Corporation would no longer be an investment fund for securities law purposes (the "Reclassification"). As a result of the Reclassification, Urbana is now subject to National Instrument 51-102 ("NI 51-102") *Continuous Disclosure Obligations*, instead of National Instrument 81-106 ("NI 81-106") *Investment Fund Continuous Disclosure* to which it was subject prior to the Reclassification. Under NI 51-102, Urbana is required to file annual and interim Management's Discussion and Analysis. For accounting purposes, Urbana will continue to be treated as an investment entity under the International Financial Reporting Standards.

INVESTMENT OBJECTIVE AND STRATEGIES

The long-term strategy of Urbana is to seek and acquire investments for income and capital appreciation through a combination of public and private investments. Urbana has the scope to invest in any sector in any region.

RISK

There were no material changes to Urbana's investment style over the financial year that affected the overall level of risk associated with investment in the Corporation. The risks associated with investing in Urbana are described in Urbana's annual information form.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

2015 challenged all investors. The fundamental concerns were an economic slowdown in China along with worries regarding China's currency, capital markets and corporate debt levels. Other factors were the economic slowdown in the Eurozone including Greece, collapsing oil and metal prices, near zero interest rates (impacting financial services), political concerns (North America and Europe) and a destabilized Middle East accompanied by terrorism on a world scale.

Adding to these, and many other economic and political concerns, was the high stock market volatility resulting, in great measure, from newer financial products and their now immense size (Exchange Traded Funds "ETFs"), high frequency trading, program trading and certain hedging operations. All of these technical factors create a "piling on effect" which serves to magnify stock price movements (up or down). These factors are now a permanent fact of stock market life. As a by-product, share prices are becoming relatively less affected by corporate and economic fundamentals.

Urbana Corporation ("Urbana") had a positive 2015 relative to most indices, which finished the year in negative territory.

During the year our marketable securities trading reflected a decision to reduce our concentrations in companies such as the Chicago Board Options Exchange and our US bank holdings and to capitalize on the high US dollar relative to the Canadian dollar. This represented a significant portfolio shift in order to protect profits. The portfolio shift necessitated a higher volume of trading than is typical for Urbana.

Urbana began a move to invest in Canadian banks, energy and metals producers which we sometimes refer to as "Canada Inc". All such investments had declined significantly relative to Urbana's US holdings. Urbana was somewhat early in moving back to Canadian issuers and by year-end these holdings showed some losses. All were back up by March 2016. Urbana reduced some of these and earlier positions to offset gains (thus reducing taxes) for 2015.

Our private equity investments, such as Real Matters and the Canadian Securities Exchange, performed well overall and helped Urbana to outperform during 2015.

Urbana also continued its buy-back of its non-voting Class A shares ("Class A shares") with the purchase and cancellation of 4,159,800 shares during calendar 2015. Urbana has traditionally bought back the maximum number of shares allowable each year under normal course issuer rules. Looking into 2016, it appears that the amount of Class A shares offered for sale has thinned out. This may result in reduced purchases, despite our best efforts. If and when larger blocks of Class A shares become available, it is our intention, under the normal course purchase rules, to acquire them.

One position we have held for some time has been the Bombay Stock Exchange (“BSE”). In 2015, Urbana joined with others to engage both a public relations firm and legal counsel in India to press the case for a public offering of BSE shares (an “IPO”). This combination of media and legal pressure on both regulators and government appears to be getting some positive results. On March 12, 2016, the Securities & Exchange Board of India (the Indian securities market regulator) gave “approval in principle” for the BSE to become a publicly traded company, that is, to do an IPO. This will provide Urbana with market liquidity one year after the IPO. We are encouraged, but years of delay cause us to have some caution as to timing.

Looking forward in 2016, we expect some improvement in the oil and metal sectors, continuing low interest rates and slow to moderate economic growth world-wide. These expectations are manifested in the “Canada Inc.” component of our investments.

In regard to Urbana's US bank holdings, government pressures, fines and civil law suits have hurt share prices. These factors may result in a positive outcome, one which sees the large US banks break themselves up into investment and commercial banks in order to avoid the “too big to fail” constraints. History has shown that corporate break ups have been consistently positive for share prices. Standard Oil, AT&T, GE and Canadian Pacific are cases in point.

Our experience in 2015 reinforced our conviction that, in volatile markets, active management can provide better returns than indexed based management styles.

Urbana's management team combines private equity investment with an actively managed portfolio of publicly traded securities. Urbana's investment performance over the years validates this thesis and operating style.

In 2015, Urbana’s net assets per share increased by 8.67% from \$3.25 to \$3.48 per share, taking into consideration a five cents (\$0.05) per share dividend paid to shareholders in January 2015.¹

Dividend income and interest income in 2015 were \$3,622,177 and \$101,841 respectively as compared to \$2,269,725 and \$91,519 in 2014. During 2015, Urbana realized a net gain of \$9,650,493 from the sales and dispositions of investments as compared to a net realized gain of \$9,091,572 in 2014. As explained above, the realized capital gains primarily reflected the disposition of US dollar-denominated investments in CBOE Holdings Inc. (\$12 million), Morgan Stanley (\$4.2 million), Bank of America (\$2.0 million) and Citigroup Inc. (\$1.0 million). The sale of these investments was partially motivated by a deteriorating environment for US bank stocks resulting in part from the payment of substantial fines by some institutions. These gains were partially offset by capital losses realized on the disposition primarily in the latter part of the year of investments in certain Canadian companies namely Barrick Gold Corporation (\$1.7 million), Crescent Point Energy Corp. (\$1.7 million), AGF Management (\$1.4 million), Edgecrest Capital Holdings Inc. (\$1.2 million), Encana Corp. (\$1.1 million), and Canadian Natural Resources Limited (\$0.8 million).

¹ The common shares and the Class A shares participate equally in dividends.

For the year ended December 31, 2015, net change in unrealized gain on foreign exchange and investments was \$3,172,815 (2014 - \$16,715,601). The significant changes in unrealized gain during the year were in the investments in Intercontinental Exchange Group Inc. (\$4.6 million), Real Matters Inc. (\$5.1 million), CNSX Markets Inc. (\$3.5 million), OneChicago LLC (\$3.3 million), Citigroup Inc. (\$1.3 million), and Budapest Stock Exchange (\$1.1 million). The significant changes in unrealized loss of the Corporation's investment portfolio during the year were in the investments in CBOE Holdings Inc. (\$9.3 million), Morgan Stanley (\$4.5 million), Teck Resources Ltd. (\$1.5 million), AGF Management Ltd. (\$1.1 million) and Barrick Gold Corp. (\$0.9 million).

Investment management fees for 2015 increased by \$237,208 as compared to 2014 (2015 - \$3,338,609 and 2014 - \$3,101,401) as a result of an increase in its average investment portfolio during the year. In 2015, foreign withholding tax increased by \$72,923 (2015 - \$164,160 and 2014 - \$91,237) as a result of higher U.S. dividend income for the year. Transaction costs in 2015 increased by \$295,632 (2015 - \$505,584 and 2014 - \$209,952) as compared to 2014 as a result of trading activity undertaken during the year to sell and replace US dollar equity investments with investments in Canadian bank, metals and energy issuers. In August, 2015, George Elliott was paid a one-time directors' fee of \$75,000, in addition to his regular directors' fees, as remuneration for a larger than normal time commitment to the Corporation in his capacity as the lead director and chair of the audit committee of the Corporation.

As a result of the Corporation's reclassification from an investment fund to an investment corporation in July 2015, there were significant non-recurring expenses and on-going expenses incurred and included in administrative expenses in 2015.

Urbana's operations in the 2015 resulted in a net gain of \$ 10,845,213 before income taxes (a net gain of \$7,672,398 before net unrealized gain on foreign exchange and investments, and income taxes) as compared to a net gain of \$23,827,345 (\$7,111,744 before net unrealized gain on foreign exchange and investments, and income taxes) in 2014.

Financial Highlights

The following tables show selected information about Urbana's financial performance for the past five years:

Urbana's Net Assets per Share ^(1&2)					
	2015	2014	2013	2012	2011
Net assets, beginning of year	\$3.25	\$2.89	\$1.86	\$1.70	\$1.83
Realized gain (loss) for the year	0.17	0.15	(0.35)	(0.22)	(0.11)
Unrealized gain(loss) for the year	0.06	0.29	1.26	0.38	(0.09)
Dividend and interest income for the year	0.07	0.04	0.05	0.08	0.06
Total expenses for the year ⁽³⁾⁽⁴⁾	(0.11)	(0.13)	(0.07)	(0.06)	(0.01)
Distributions	(0.05)	(0.05)	Nil	Nil	Nil
Increase in contributed surplus from NCIB purchases	0.06	0.05	0.22	0.13	0.15
Net assets, end of year ⁽⁵⁾	3.48	3.25	2.89	1.86	1.70

- (1) This information is derived from Urbana's audited annual financial statements. The accounting principles applicable to 2014 and subsequent years were IFRS and to all years prior to 2014 were Canadian GAAP, with the exception that the 2013 financial statements were re-stated in accordance with IFRS requirements

- (2) Net assets are based on the actual number of shares outstanding at the relevant time. The other items in this table are based on the weighted average number of shares outstanding over the financial year.
- (3) For the years 2011-12, total expenses included 58.54% of the profits/losses of Caldwell India Holdings Inc. (reflecting Urbana's ownership). For the year 2013, due to re-statement of that year's annual financial statements in accordance with IFRS requirements, and for the years after 2013, due to the adoption of IFRS, such profits/losses have not been included as expenses.
- (4) Total expenses include an obligation to pay future taxes. When future tax obligations are negative (i.e. there is a tax credit), total expenses are not reduced by the amount of tax credit.
- (5) Each number in this row reflects more adjustments than shown in the column above such number.

Ratios and Supplemental Data					
	2015	2014	2013	2012	2011
Total net asset value(000's) ⁽¹⁾	\$186,044	\$187,135	\$174,854	\$129,073	\$126,669
Shares outstanding ⁽¹⁾	53,388,500	57,548,300	60,525,200	69,579,000	74,408,000
Management expense ratio ⁽²⁾	2.90%	2.70%	2.68%	3.45%	3.20%
Management expense ratio excluding foreign withholding taxes ⁽²⁾	2.81%	2.65%	2.67%	2.93%	2.89%
Management expense ratio excluding foreign withholding taxes and interest ⁽²⁾	2.66%	2.51%	2.50%	2.31%	2.32%
Portfolio turnover ratio ⁽³⁾	24.57%	12.00%	52.02%	21.65%	5.56%
Trading expense ratio ⁽⁴⁾	0.27%	0.11%	0.48%	0.63%	0.08%
Net asset value per share	\$3.48	\$3.25	\$2.89	\$1.86	\$1.70
Closing market price (common)	\$2.05	\$2.09	\$1.85	\$1.00	\$0.89
Closing market price (Class A)	\$2.05	\$1.97	\$1.88	\$0.97	\$0.89

- (1) This information is provided as at the end of the stated year.
- (2) Management Expense Ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as a percentage of average weekly net asset value during the year.
- (3) Urbana's portfolio turnover ratio indicates how frequently the corporation's investment manager purchases and sells portfolio investments. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio. A portfolio turnover rate of 100% is equivalent to the corporation buying and selling all of the securities in the portfolio once in the course of the year. The higher a company's portfolio turnover rate in a year, the greater the trading costs payable by the company in the year, and the greater the chance that the company will receive taxable gains or losses in the year.
- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of average weekly net asset value during the period.

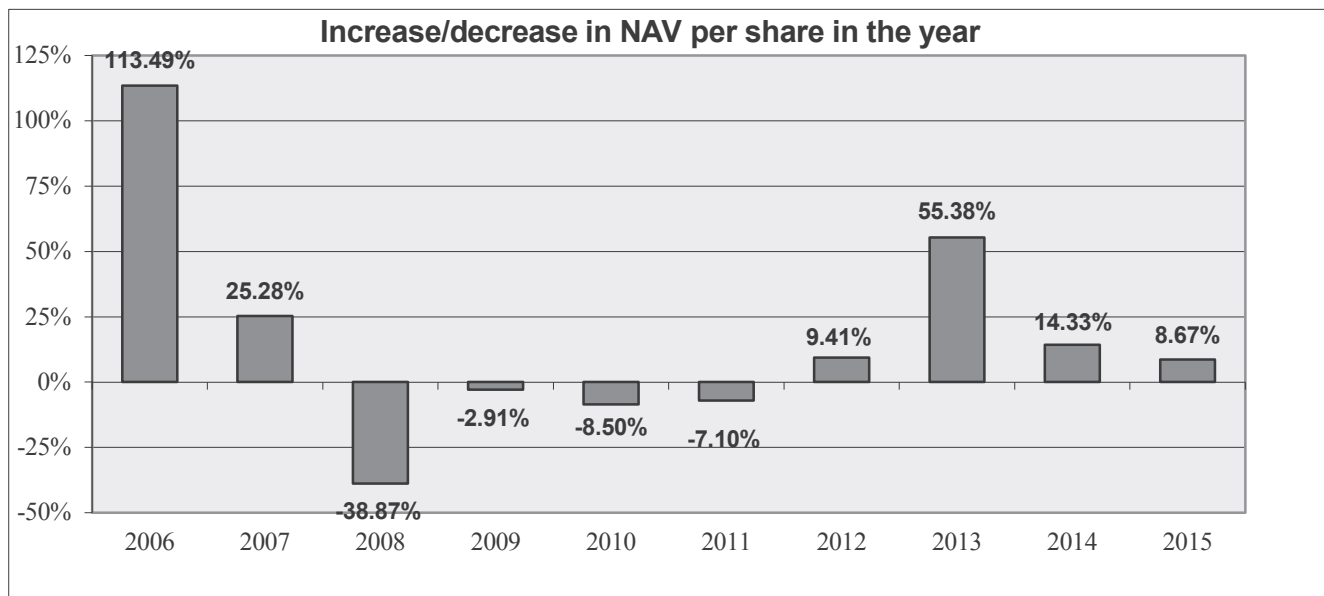
Past Performance

The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

Year-by-Year Performance

The following bar chart shows the net asset value performance of Urbana's common shares for the financial years indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year based on the net asset value (NAV) per share of Urbana.

Urbana's Class A shares were first issued on January 11, 2007. The Class A shares, which have the same rights as the common shares upon liquidation, are treated as if they are common shares for the purposes of the NAV calculation.



Growth of NAV and Annual Compound Returns

The following table shows the growth in Urbana's NAV and the annual compound returns of its common and Class A shares, for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2015), compared with the annual compound returns of the S&P/TSX Composite Index for the periods indicated.

	1 year	3 year	5 years	since inception of Class A shares ⁽¹⁾	10 year	since inception of common shares ⁽¹⁾
Urbana NAV	8.67%	24.51%	14.43%	2.33%	11.05%	15.88%
Urbana Common Shares (Market)	0.59%	29.25%	10.85%	n/a	0.77%	6.59%
Urbana Class A Shares (Market)	6.62%	30.51%	11.88%	-3.62%	n/a	n/a
S&P/TSX Composite Index ⁽²⁾	-11.09%	1.52%	-0.65%	0.43%	1.44%	3.15%

(1) Inception date of common shares is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund. Inception date of the Class A Share is January 11, 2007. CIM began managing Urbana's investment portfolio on October 1, 2002.

(2) The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

Summary of Investment Portfolio As at December 31, 2015

The following data is extracted from Urbana's financial statements for the year ended December 31, 2015:

Number of shares, units or seats	Description	Cost (\$)	Fair value (\$)	% of Portfolio Fair Value	% of Total Net Assets
Privately owned entities					
2,350,563	Caldwell India Holdings Inc. ⁽ⁱ⁾	25,599,727	16,071,074	8.22%	8.64%
791,000	Urbana Mauritius Inc. ⁽ⁱⁱ⁾	7,313,848	5,808,847	2.97%	3.12%
11,684,403	CNSX Markets Inc. common stock	5,829,521	10,515,963	5.38%	5.65%
32	Minneapolis Grain Exchange (seats)	7,279,359	6,823,259	3.49%	3.67%
169,341	Budapest Stock Exchange (shares)	4,761,242	2,902,844	1.48%	1.56%
759,000	Caldwell Financial Ltd.	1,707,750	2,292,180	1.17%	1.23%
5,000,040	Radar Capital Fund 1 Limited Partnership	5,000,044	5,550,044	2.84%	2.98%
5,280,000	Real Matters Inc.	8,075,000	13,200,000	6.75%	7.10%
50	Radar Capital Inc.	50	50	0.00%	0.00%
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000	1.53%	1.61%
406,066	Caldwell Growth Opportunities Trust	3,400,000	4,485,771	2.29%	2.41%
100	Urbana Special Investment Holdings Ltd. ⁽ⁱⁱⁱ⁾	2,894,499	3,515,805	1.80%	1.89%
205,080	Highview Financial Holdings Inc.	123,838	116,896	0.06%	0.06%
Publicly traded securities					
190,000	CBOE Holdings Inc.	6,282,098	17,128,992	8.76%	9.21%
45,000	Intercontinental Exchange Group Inc.	9,346,153	16,018,684	8.19%	8.61%
250,000	Citigroup Inc.	10,891,560	17,971,481	9.19%	9.66%
950,000	Bank of America Corp.	11,389,458	22,209,625	11.35%	11.94%
600,000	AGF Management Ltd.	7,650,479	3,120,000	1.59%	1.68%
250,000	Suncor Energy	9,341,948	8,930,000	4.56%	4.80%
700,000	Barrick Gold Corp.	12,298,786	7,168,693	3.66%	3.85%
750,000	Teck Resources Ltd. Class B	5,480,819	4,005,000	2.05%	2.15%
50,000	Canadian Imperial Bank of Commerce	4,735,396	4,559,500	2.33%	2.45%
20,000	BCE Inc.	1,142,000	1,069,200	0.55%	0.57%
400,000	Morgan Stanley	9,607,949	17,674,908	9.04%	9.50%
Other					
1,000,000	Highview Financial Holdings Inc. ^(iv)	1,000,000	1,000,000	0.51%	0.54%
1,000,000	Radar Capital Inc.	1,000,000	135,504	0.07%	0.07%
	Cash and Cash Equivalents	345,723	345,723	0.18%	0.19%
Total		165,497,247	195,620,043	100.00%	105.14%

⁽ⁱ⁾Urbana owns 58.54% of the outstanding shares of Caldwell India Holdings Inc., which holds 4,015,544 equity shares of the Bombay Stock Exchange. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the ordinary shares. The fair value of these ordinary shares is nominal.

⁽ⁱⁱ⁾Urbana Mauritius Inc., which is a wholly-owned subsidiary of Urbana, holds 791,000 equity shares of the Bombay Stock Exchange.

⁽ⁱⁱⁱ⁾Urbana Special Investment Holdings Ltd. which is a wholly-owned subsidiary of Urbana, holds 51 shares of OneChicago, LLC.

(iv) Urbana holds an unsecured subordinated promissory note repayable on October 22, 2016 with a semi-annual interest payment of 55,902 Class D common shares.

(v) Urbana holds an unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 24,683 common shares of Bermuda Stock Exchange which have been written off and 44 mining claims in Urbana township, Quebec. Mining expenditures of \$180,003 have been recorded as a loss in realized gain on sale and disposal of investments.

The above summary of the investment portfolio may change due to ongoing portfolio transactions. Weekly and quarterly updates are available at Urbana's website at www.urbanacorp.com

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with a major Canadian chartered bank (the "Bank"). On March, 2015 the loan facility agreement was further amended to allow Urbana to borrow up to \$25,000,000. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 1.25% (prior to March 2, 2015, the Bank's prime rate plus 1.75%), calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets. Proceeds from the loan may be used for purchasing additional investments and/or for general corporate purposes. As at December 31, 2015, the outstanding balance of the loan was \$5,500,000, representing 2.96% of the net assets of Urbana (2014 - \$3,550,000 and 1.90%). The minimum and maximum amount borrowed during 2015 was \$Nil and \$16,050,000 respectively (2014 - \$Nil and \$10,500,000). As at the date of this MD&A, the Corporation has complied with all covenants, conditions or other requirements of the outstanding debt.

Normal Course Issuer Bid

On August 27, 2015, the Toronto Stock Exchange (the "TSX") accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,411,688 of its own Class A shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 31, 2015, and will terminate on the earlier of August 30, 2016, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX or the Canadian Stock Exchange (the "CSE") in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares is to be the market price of such shares on the TSX or the CSE at the time of acquisition. The shares purchased under the NCIB must be cancelled. Urbana may not purchase on any given day, in the aggregate, more than 4,946 Class A shares, being 25% of the average daily volume for the most recently completed six months prior to the filing of the NCIB, which is 19,784 shares, calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 4,946 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2015, Urbana has purchased 911,500 Class A shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.99 per share. Previously, the TSX had accepted Urbana's notices of intention to conduct normal course issuer bids. Details of the previous normal course issuer bid purchases are as follows:

Normal Course Issuer Bid Period	Total Number of Class A Shares Purchased during the Period	Average Price
August 28, 2008 - August 27, 2009	1,336,582	1.28
August 28, 2009 - August 27, 2010	3,083,920	1.32
August 28, 2010 - August 27, 2011	7,431,300	1.27
August 29, 2011 - August 28, 2012	6,636,033	1.01
August 29, 2012 - August 28, 2013	5,989,067	1.18
August 29, 2013 - August 28, 2014	5,386,000	1.78
August 29, 2014 - August 28, 2015	4,700,000	2.02

Acquisitions and Dispositions of Portfolio Investments

From January 1, 2015 to December 31, 2015, Urbana made the following significant acquisitions and dispositions of portfolio investments:

Acquisitions

Investments	Quantity (units/shares)	Cost (\$)
Bank of Nova Scotia	30,000	1,963,744
Barrick Gold Corp.	200,000	2,759,430
Canadian Imperial Bank of Commerce	50,000	4,735,396
Canadian Natural Resources	105,000	4,124,997
Cenovus Energy Inc.	159,200	3,542,200
Crescent Point Energy Corp.	150,000	4,275,000
Encana Corp.	200,000	2,919,023
Highview Financial Holdings Inc.	205,080	125,838
Horizons ETFs	100,000	830,225
Real Matters Inc.	1,530,000	3,575,000
Royal Bank of Canada	20,000	1,531,755
Suncor Energy	230,000	8,657,948
Radar Capital Fund I Limited Partnership	1,750,000	1,750,000
Teck Resources Class B	750,000	5,480,819
BCE Inc.	20,000	1,142,000
CNSX Markets Inc.	882,353	547,058

Dispositions

Investments	Quantity (units/shares)	Cost Base¹ (\$)	Proceeds¹ (\$)
Bank of America	250,000	2,997,226	4,926,264
CBOE Holdings Inc.	310,000	10,249,739	22,219,130
Citigroup Inc.	50,000	2,178,911	3,207,766
Franco Nevada Corp.	25,950	1,691,376	1,723,899
Horizons ETFs	100,000	830,225	427,304
Morgan Stanley	200,000	4,803,974	8,958,437
One Chicago LLC	5	281,331	300,034
AGF Management Ltd. Class B	200,000	2,550,159	1,128,218
Barrick Gold Corp.	200,000	3,499,308	1,776,599
Edgecrest Financial Holdings Inc.	1,200,000	1,200,000	0
Encana Corp.	200,000	2,919,023	1,804,571
Bank of Nova Scotia	30,000	1,963,744	1,825,092

Canadian Natural Resources	125,000	4,814,990	4,002,793
Cenovus Energy Inc.	159,200	3,542,200	3,306,801
Crescent Point Energy Corp.	150,000	4,275,000	2,581,940
Royal Bank of Canada	20,000	1,531,755	1,470,254

¹Cost base does not include transaction costs and proceeds are net of transaction costs.

Mining Claims

Urbana has owned resource properties in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its resource properties if and when it is deemed suitable. In November 2014, Urbana entered into a joint exploration agreement with Beaufield Resources Inc. (“Beaufield”), a company that owns neighbouring properties, to explore the Urbana Township region. This exploration program, led by Beaufield, is currently underway. Urbana's property is centrally located within the Urban-Barry greenstone belt and consists of the original claim group held since the 1940s when visible gold was first discovered in the area. Recent announcements by Beaufield and Oban Mining Corporation have prompted management to expand its exploration program for the property, portions of which have never been drilled.

Dividend Policy and Dividend Declared

Currently the Corporation has a dividend policy that it intends to pay a cash dividend of five cents (\$0.05) per share to the Shareholders as soon as practical after the end of each year. The amount of dividend to be paid is determined each year by the Board, taking into consideration all factors that the Board deems relevant, including the performance of the Corporation's investments, the economic and market conditions, and financial situation of the Corporation.

On January 18, 2016, Urbana's board of directors declared a cash dividend of five cents (\$0.05) per share on the issued and outstanding common and Class A shares of Urbana, payable on February 12, 2016, to the Shareholders of record at the close of business on January 28, 2016. Pursuant to subsection 89(14) of the Income Tax Act of Canada (ITA) each dividend paid by Urbana qualifies as and is designated an eligible dividend for Canadian income tax purposes, as defined in subsection 89(1) of the ITA.

Outstanding Number of Shares

As at March 25, 2016, the Corporation has 10,000,000 common shares and 43,207,400 Class A shares outstanding.

RELATED PARTY TRANSACTIONS

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. (“CIM”), the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana – refer to “Management Fees” below.

Urbana has a 50% ownership interest in Radar Capital Inc. (“RCI”), a private capital company, and Urbana SRL Inc. (“SRL”), a company that ceased operating during 2015. From 2013 to 2015, Urbana advanced SRL a total of \$620,700. These advances are now included as a loss in realized gain on sale and disposal of investments. In 2015, Urbana invested \$1,750,000 (2014 -

\$3,250,040) in Radar Capital Fund 1 Limited Partnership which is managed by RCI. As at December 31, 2015, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM. Refer to “Summary of Portfolio Investments” above.

Caldwell Securities Ltd., a sister company of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions. The total amount of commission fees paid to Caldwell Securities Ltd. by Urbana during the years ended December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 were \$522,140, \$142,570, \$674,282 and \$279,879 respectively.

CIM provides investor relations services to Urbana pursuant to an agreement between Urbana and CIM dated October 1, 2015. In 2015, Urbana paid CIM \$12,250 (plus HST) for investor relations services provided by CIM. In 2015, Urbana also paid Caldwell Financial Ltd. \$25,833 (plus HST) for administrative services and office rental and storage.

As at December 31, 2015, there were no fees payable to related parties, other than a management fee payable of \$836,079 to CIM.

MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM. Pursuant to such agreement, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana’s investment portfolio. In 2015, CIM earned \$3,338,609 of investment management fees from Urbana, as compared to \$3,101,401 in 2014. The investment management fees are accrued and paid quarterly in arrears. As at December 31, 2015 there was an investment management fee payable of \$836,079 to CIM (2014 – \$815,549).

SUMMARY OF QUARTERLY RESULTS

The table below shows the key operating results of the Corporation for the two completed quarters since the Corporation’s reclassification.

	4 th Quarter 2015	3 rd Quarter 2015
Realized gain (loss)	(3,182,833)	(4,897,552)
Change in unrealized gain (loss)	10,555,542	(393,192)
Dividend income	594,253	619,344
Interest income (reversal of interest income)	33,028	(15,446)
Total expenses	1,257,740	1,255,906
Net income before income taxes	6,742,250	(5,942,752)
Net Assets per share (beginning of period)	3.35	3.41
Net Assets per share (end of period)	3.48	3.35

FOURTH QUARTER

By the fourth quarter of 2015, Urbana had shifted its portfolio holdings from US financial institutions and marketplaces to Canadian banks, energy and metals producers. Some of these investments had declined by the fourth quarter of 2015 and Urbana crystallized some of the losses to offset gains from earlier dispositions. The resulting net realized capital loss of \$3,182,833 was primarily due to the disposition of investments in Crescent Point Energy Corp. (\$1.7 million), Canadian Natural Resources Limited (\$0.8 million), Barrick Gold (\$0.4 million) and Encana Corp. (\$0.3 million).

Unrealized gain on foreign exchange and investments amounted to \$10,555,542 during the fourth quarter. The significant changes in unrealized gains on investments during the quarter were: CNSX Markets Inc. (\$3.5 million), Intercontinental Exchange (\$1.8 million), Bank of America (\$1.9 million) and Citigroup Inc. (\$1.3 million).

Comparative figures for the fourth quarter of previous years are not available because the Corporation did not start preparing quarterly financial statements until the third quarter of 2015.

LIQUIDITY

The Corporation currently holds more than 60% of its assets in marketable securities. It does not anticipate any issues with liquidity.

CAPITAL RESOURCES

The Corporation has had a demand loan facility with a major Canadian bank since 2008 (see under the heading of “Demand Loan Facility” above). In 2015, the Corporation did not conduct any additional financing activities. As at the date of this MD&A, the Corporation does not have any capital expenditure commitment which the Corporation plans on funding by way of financing arrangements in addition to the existing loan facility.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

In July 2014, the final version of IFRS 9 Financial Instruments (“IFRS 9”) was issued, which replaces IAS 39. In July 2014, the final version of the International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”) was issued, which replaces International Accounting Standard 39 – Financial Instrument: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting aligns hedge accounting with risk management activities. IFRS 9 is effective for annual periods beginning on

or after January 1, 2018. The Corporation is currently assessing the impact the adoption of this standard will have on the financial statements.

In December 2014, a disclosure initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. Urbana will amend disclosures if required in the 2016 Financial Statements

DISCLOSURE CONTROLS AND PROCEDURES (“DC&P”) AND INTERNAL CONTROL OVER FINANCIAL REPORTING (“ICFR”)

Urbana’s management (“Management”), under the supervision of its CEO and CFO, is responsible for establishing and maintaining the Corporation’s DC&P and ICFR (as defined in National Instrument 52-109).

Consistent with NI 52-109, the Corporation's CEO and CFO have reviewed the design of the Corporation’s DC&P and ICFR and have concluded that as at December 31, 2015 (A) the Corporation’s DC&P provides reasonable assurance that (i) material information relating to the Corporation has been made known to them, particularly during the financial year ended December 31, 2015 and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in securities legislation; and (B) the Corporation’s ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

The Corporation’s CEO and CFO have evaluated the effectiveness of the Corporation’s DC&P as at December 31, 2015 and have concluded that after taking measures to have the Corporation’s disclosures reviewed not only by management, but also by outside advisers, the Corporation’s DC&P were effective as of that date.

The Corporation’s CEO and CFO have also evaluated the effectiveness of the Corporation’s ICFR as at December 31, 2015, using the Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and have concluded that the Corporation’s ICFR was effective as at that date.

There have been no changes in the Corporation’s ICFR that occurred during the period beginning October 1, 2015 and ending on December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Corporation’s ICFR.

All control systems contain inherent limitations, no matter how well designed. As a result, Management acknowledges that the Corporation’s ICFR will not prevent or detect all misstatements due to error or fraud. In addition, Management’s evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

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Audited financial statements of

Urbana Corporation

December 31, 2015 and December 31, 2014

Urbana Corporation

December 31, 2015 and December 31, 2014

Table of contents

Independent Auditor's Report	1-2
Statements of financial position	3
Statements of comprehensive income	4
Statements of changes in equity	5
Statements of cash flows	6
Schedule of investment portfolio	7
Notes to the financial statements	8-22

Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying financial statements of Urbana Corporation, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014, the statements of comprehensive income, statements of changes in deficit and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2015 and December 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2016

Urbana Corporation

Statements of financial position

(In Canadian dollars)

	December 31, 2015	December 31, 2014
	\$	\$
		(Note 11)
Assets		
Cash and cash equivalents	345,723	920,032
Investments, at fair value (Notes 2 and 3)	195,274,320	193,573,230
Sundry receivables	83,967	30,294
Current income taxes (Note 9)	87,515	-
Prepaid expenses	-	18,043
	195,791,525	194,541,599
Liabilities		
Loan payable (Note 4)	5,500,000	3,550,000
Deferred income tax liability (Note 9)	3,320,000	2,870,000
Accounts payable and accrued liabilities (Note 7)	927,846	986,507
	9,747,846	7,406,507
Shareholders' equity		
Share capital (Note 6)	133,432,271	145,457,987
Contributed surplus	66,889,412	63,396,249
Deficit	(14,278,004)	(21,719,144)
Shareholders' equity representing net assets	186,043,679	187,135,092
Total liabilities and shareholders' equity	195,791,525	194,541,599
Number of shares outstanding (Note 6)	53,388,500	57,548,300
Net assets per share - basic and diluted	3.48	3.25

Approved by the Board:



Director



Director

See accompanying notes.

Urbana Corporation

Statements of comprehensive income

for the years ended December 31, 2015 and December 31, 2014

(In Canadian dollars)

	2015	2014
	\$	\$
		(Note 11)
Revenue		
Net realized gain on sale and disposal of investments	9,650,495	9,091,572
Net change in unrealized gain on foreign exchange and investments	3,172,813	16,715,601
Dividends	3,622,177	2,269,725
Interest revenue	101,841	91,519
Total operating income	16,547,326	28,168,417
Expenses		
Investment management fees (Note 7)	3,338,609	3,101,401
Transaction costs	505,584	209,952
Other tax adjustments	324,939	-
Interest	281,290	252,344
Administrative (Notes 7 and 8)	976,597	664,003
Professional fees	275,094	113,372
	5,702,113	4,341,072
Net income before income taxes	10,845,213	23,827,345
Foreign withholding taxes	164,160	91,237
(Recovery of) current income taxes (Note 9)	(87,515)	-
Provision for deferred income taxes (Note 9)	450,000	2,870,000
Total profit for the year	10,318,568	20,866,108
Basic and diluted earnings per share	0.19	0.35
Weighted average number of shares outstanding	55,332,500	59,368,646

See accompanying notes.

Urbana Corporation

Statements of changes in equity

for the years ended December 31, 2015 and December 31, 2014

(In Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance at January 1, 2015	145,457,987	63,396,249	(21,719,144)	187,135,092
Profit for the year	-	-	10,318,568	10,318,568
Dividends paid	-	-	(2,877,428)	(2,877,428)
Normal course issuer bid payment/redemption	(12,025,716)	3,493,163	-	(8,532,553)
Balance at December 31, 2015	133,432,271	66,889,412	(14,278,004)	186,043,679
Balance at January 1, 2014	154,064,015	60,375,578	(39,585,252)	174,854,341
Profit for the year	-	-	20,866,108	20,866,108
Dividends paid	-	-	(3,000,000)	(3,000,000)
Normal course issuer bid payment/redemption	(8,606,028)	3,020,671	-	(5,585,357)
Balance at December 31, 2014 (Note 11)	145,457,987	63,396,249	(21,719,144)	187,135,092

See accompanying notes.

Urbana Corporation

Statements of cash flows

for the years ended December 31, 2015 and December 31, 2014

(In Canadian dollars)

	2015	2014
	\$	\$
		(Note 11)
Operating activities		
Total profit for the year	10,318,568	20,866,108
Items not affecting cash		
Gain on sale and disposal of investments	(9,650,495)	(9,091,572)
Net change in unrealized gain on foreign exchange and investments	(3,172,813)	(16,715,601)
Purchases of investments	(48,657,991)	(22,295,871)
Proceeds on sale of investments	59,780,209	37,928,649
Provision for deferred income taxes	450,000	2,870,000
	9,067,478	13,561,713
Net change in non-cash working capital items		
Sundry receivables	(53,673)	421,269
Prepaid expenses	18,043	900
Current income taxes	(87,515)	-
Accounts payable and accrued liabilities	(58,661)	(5,267)
	(181,806)	416,902
Cash used in operating activities	8,885,672	13,978,615
Financing activities		
Proceeds from loan payable	46,100,000	25,750,000
Repayment of loan payable	(44,150,000)	(30,900,000)
Dividends paid	(2,877,428)	(3,000,000)
Normal course issuer bid repurchases payments	(8,532,553)	(5,585,357)
Cash used in financing activities	(9,459,981)	(13,735,357)
Net change in cash during the year	(574,309)	243,258
Cash and cash equivalents, beginning of year	920,032	676,774
Cash and cash equivalents, end of year	345,723	920,032
Supplemental disclosure		
Amount of income taxes paid	87,515	-
Amount of interest paid	281,290	252,344

See accompanying notes.

Urbana Corporation

Schedule of investment portfolio as at December 31, 2015

(In Canadian dollars)

Number of shares	Description	Cost	Fair value
Privately owned entities			
2,350,563	Caldwell India Holdings Inc. (i)	25,599,727	16,071,074
791,000	Urbana Mauritius Inc. (ii)	7,313,848	5,808,847
11,684,403	CNSX Markets Inc. common stock	5,829,521	10,515,963
32	Minneapolis Grain Exchange (seats)	7,279,359	6,823,259
169,341	Budapest Stock Exchange (shares)	4,761,242	2,902,844
759,000	Caldwell Financial Ltd. (Note 7)	1,707,750	2,292,180
5,000,040	Radar Capital Fund 1 Limited Partnership	5,000,044	5,550,044
5,280,000	Real Matters Inc.	8,075,000	13,200,000
50	Radar Capital Inc. (Note 7) (v)	50	50
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000
406,066	Caldwell Growth Opportunities Trust (Note 7)	3,400,000	4,485,771
100	Urbana Special Investment Holdings Ltd. (iii)	2,894,499	3,515,805
205,080	Highview Financial Holdings Inc.	123,838	116,896
		74,984,878	74,282,733
Publicly traded securities			
190,000	CBOE Holdings Inc.	6,282,098	17,128,992
45,000	Intercontinental Exchange Group Inc.	9,346,153	16,018,684
250,000	Citigroup Inc.	10,891,560	17,971,481
950,000	Bank of America Corp.	11,389,458	22,209,625
600,000	AGF Management Ltd.	7,650,479	3,120,000
250,000	Suncor Energy	9,341,948	8,930,000
700,000	Barrick Gold Corp.	12,298,786	7,168,693
750,000	Teck Resources Ltd. Class B	5,480,819	4,005,000
50,000	Canadian Imperial Bank of Commerce	4,735,396	4,559,500
20,000	BCE Inc.	1,142,000	1,069,200
400,000	Morgan Stanley	9,607,949	17,674,908
		88,166,646	119,856,083
Other			
1,000,000	Highview Financial Holdings Inc. (iv)	1,000,000	1,000,000
1,000,000	Radar Capital Inc. (v)	1,000,000	135,504
		2,000,000	1,135,504
		165,151,524	195,274,320

(i) Urbana owns 58.54% of the outstanding investor shares of Caldwell India Holdings Inc., which holds 4,015,544 equity shares of the Bombay Stock Exchange. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the ordinary shares. The fair value of these ordinary shares is nominal.

(ii) Urbana Mauritius Inc. which is a wholly-owned subsidiary of Urbana, holds 791,000 equity shares of the Bombay Stock Exchange.

(iii) Urbana Special Investment Holdings Ltd. which is a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of One Chicago LLC.

(iv) Urbana holds an unsecured promissory note repayable on October 22, 2016 with a semi-annual interest payment of 55,902 Class D common shares.

(v) Urbana holds an unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 24,683 common shares of the Bermuda Stock Exchange which have been written off and 44 mining claims in Urban township, Quebec. Mining expenditures of \$180,003 have been recorded as a loss in realized gain on sale and disposal of investments.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

Urbana Corporation (“Urbana” or the “Company”) is an investment company originally incorporated as a mineral exploration company named Macho River Gold Mines Limited under the Companies Act (Ontario) on August 25, 1947. A change of business application from a mining issuer to an investment issuer was approved by the TSX Venture Exchange in July, 2005. As a result of the change, the Company was considered an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted in favour of a resolution which reclassified the Company from an investment fund to a non-investment fund (the “Reclassification”). As a result of the Reclassification, Urbana is no longer an investment fund for securities law purposes.

The Company’s common and Class A shares are listed for trading on the Toronto Stock Exchange (“TSX”) and the Canadian Securities Exchange (“CSE”). Its registered head office is Box 47, 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9.

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified the financial services sector as attractive for longer term growth.

1. Summary of significant accounting policies

Basis of presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The Company qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements (“IFRS 10”)*:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgments or assumptions were made in determining that the Company meets the definition of an investment entity as defined in IFRS 10.

Statement of compliance

The financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the year. Actual results could differ from those estimates. Significant judgements and estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax liability and the following:

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

1. Summary of significant accounting policies (continued)

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, Urbana is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39 "*Financial Instruments – Recognition and Measurement*". The most significant judgments made include the determination whether certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Functional and presentation currency

The Company considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars.

Segmented information

The Company is organized as one main operating segment, namely the management of the Company's investments in order to achieve the Company's investment objectives.

Foreign currency translation

The monetary assets and liabilities of the Company are translated into Canadian dollars, the Company's functional currency, at exchange rates in effect at the date of the statement of financial position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the statements of comprehensive income for the year. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills, commercial paper and bankers' acceptances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, investments, sundry receivables, loan payable and accounts payable. The Company recognizes financial instruments at fair value upon initial recognition.

Investments have been designated at fair value through profit or loss ("FVTPL") with gains and losses recorded in net income. Cash and cash equivalents and sundry receivables are recorded as loans and receivables and are carried at amortized cost. Loan payable and accounts payable are recorded as other financial liabilities and are carried at amortized cost. The carrying values approximate their fair values due to their short-term maturities.

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13 "*Fair Value Measurement*". Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed or principally traded.

The Minneapolis Grain Exchange ("MGEX") is valued based on the current price of a seat, as quoted by the exchange.

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

1. Summary of significant accounting policies (continued)

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. During the initial period after an investment has been made, cost translated using the year end foreign currency exchange rate may represent the most reasonable estimate of fair value. Unrealized gains and losses on investments are recognized in the statements of comprehensive income.

The Company takes its own credit risk and the risk of its counterparties into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and financial liabilities in the Company's financial statements incorporate appropriate levels of credit risk.

There are inherent uncertainties in the process of valuing investments for which there are no published markets. Management uses various valuation techniques with unobservable market inputs in its determination of fair value of private investments, those most significant of which are disclosed in Note 2. Management exercises judgment in the determination of certain assumptions about market conditions existing at the date of the financial statements in the application of the chosen valuation techniques. As such, the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

Refer to Note 2 for the classification of the fair value measurements.

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average basis.

Deferred income taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. Income tax expense for the year is the tax payable for the year and any change during the year in the deferred tax assets and liabilities. A valuation allowance is provided to the extent that it is not probable that deferred tax assets will be realized.

Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Realized gains and losses from investment transactions and unrealized net gain or loss on foreign exchange and investments are calculated on an average cost basis.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is computed by dividing the total results of operations for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share reflects the assumed conversion of all dilutive securities using the "treasury stock" method for purchase warrants and stock options.

2. Fair value measurement

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2015 and December 31, 2014:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	119,856,083	-	-	119,856,083
Privately owned entities	-	6,823,259	67,459,474	74,282,733
Other	-	-	1,135,504	1,135,504
	119,856,083	6,823,259	68,594,978	195,274,320

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

2. Fair value measurement (continued)

Level 3 valuation methods – December 31, 2015

Description	Fair value *	Primary Valuation technique used	Significant unobservable inputs	Range **
Private investments with no recent transactions				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	16,071,074	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	5,808,847	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Caldwell Financial Ltd.	2,292,180	Prescribed formula in shareholder's agreement	1 x net fees plus share capital	N/A
Private investments with access to recent transactions				
CNSX Markets Inc.	10,515,963	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,485,771	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	116,896	Cost	N/A	N/A
Real Matters Inc.	13,200,000	Market transaction	Recent transaction price	N/A
Budapest Stock Exchange	2,902,844	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	5,550,044	Net asset value per unit	Net asset value per unit	N/A
Urbana Special Investment Holdings Ltd.	3,515,805	Market transaction	Recent transaction price	\$65,966
Private investments with no market for resale				
Highview Investments Limited Partnership	3,000,000	Cost	N/A	N/A
Radar Capital Inc.	50	N/A	N/A	N/A
Private debt				
Radar Capital Inc.	135,504	Face value	N/A	N/A
Highview Financial Holdings Inc.	1,000,000	Face value	N/A	N/A
Ending balance	68,594,978			

* See- Note 1 – Valuation of investments

** Where it is not applicable, the range has not been provided for the unobservable input

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

2. Fair value measurement (continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	137,281,890	-	-	137,281,890
Privately owned entities	-	7,005,096	47,086,244	54,091,340
Other	-	-	2,200,000	2,200,000
	137,281,890	7,005,096	49,286,244	193,573,230

Level 3 valuation methods - December 31, 2014

Description	Fair value *	Primary valuation technique used	Significant unobservable inputs	Range **
Private investments with no recent transactions				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	15,660,533	Analysis of comparable exchanges	P/E multiple	17.5-54.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	5,198,697	Analysis of comparable exchanges	P/E multiple	17.5-54.7
Budapest Stock Exchange	1,756,304	Analysis of comparable exchanges	EBITDA multiple	23.4
Caldwell Financial Ltd.	2,352,900	Prescribed formula in shareholder's agreement	1 x net fees plus share capital	N/A
Urbana Special Investment Holdings Ltd.	500,000	Recent offer	N/A	\$8,929
Private investments with access to recent transactions				
CNSX Markets Inc.	6,481,230	Market – subject company	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,280,017	Net asset value per unit	Net asset value per unit	N/A
Private investments with no market for resale				
Radar Capital Fund 1 Limited Partnership	3,250,040	Cost	N/A	N/A
Real Matters Inc.	4,500,000	Cost	N/A	N/A
Highview Investments Limited Partnership	3,000,000	Cost	N/A	N/A
Urbana SRL Inc.	33,231	Cost	N/A	N/A
Radar Capital Inc.	73,292	Cost	N/A	N/A
Private debt				
Highview Financial Holdings Inc.	1,000,000	Face value	N/A	N/A
Edgecrest Capital Holdings Inc.	1,200,000	Face value	N/A	N/A
Ending balance	49,286,244			

* See- Note 1 – Valuation of investments

** Where it is not applicable, the range has not been provided for the unobservable input

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

2. Fair value measurement (continued)

During the years ended December 31, 2015 and 2014 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

			December 31, 2015
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	47,086,244	2,200,000	49,286,244
Purchases	5,995,900	-	5,995,900
Change in unrealized gains on foreign exchange and investments	14,658,661	135,504	14,794,165
Sales	(281,331)	(1,200,000)	(1,481,331)
Ending balance	67,459,474	1,135,504	68,594,978

			December 31, 2014
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	30,615,862	1,500,000	32,115,862
Purchases	9,436,527	2,200,000	11,636,527
Change in unrealized gains on foreign exchange and investments	9,536,306	-	9,536,306
Sales	(2,502,451)	(1,500,000)	(4,002,451)
Ending balance	47,086,244	2,200,000	49,286,244

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

2. Fair value measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2015 and December 31, 2014 are as shown below:

Level 3 valuation methods- December 31, 2015

Description	Input	Sensitivity used*	Effect on fair value (\$)
Private investments with no recent transactions	P/E Multiple	1X	670,546
	1 x net fees plus share capital	10%	229,218
Private investments with access to recent transactions	Recent transaction price	10%	3,013,461
	Net asset value per unit	10%	1,003,582
	Cost	10%	11,690
Private investments with no market for resale	Cost	10%	300,005
Private debt	Face value	10%	113,540

Level 3 valuation methods- December 31, 2014

Description	Input	Sensitivity used*	Effect on fair value (\$)
Private investments with no recent transactions	P/E Multiple	1X	920,937
	EBITDA Multiple	1X	73,486
	1 x net fees plus share capital	10%	285,290
Private investments with access to recent transactions	Recent transaction price	10%	648,123
	Net asset value per unit	10%	428,002
Private investments with no market for resale	Cost	10%	1,082,656
Private debt	Face value	10%	220,000

*The sensitivity analysis refers to a percentage or multiple added or deducted from the input and the effect this has on the fair value while all other variables were held constant.

For the years ended December 31, 2015 and 2014, there were no transfers into/out of Level 1, Level 2 and Level 3 investments.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

3. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks. Management seeks to minimize potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio advisors, and through daily monitoring of the Company's position and market events.

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at December 31, 2015, the Company holds approximately \$1.1 million (2014 - \$2.2 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer and the security provided against the outstanding amount. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligation when due. The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

	December 31, 2015		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	5,500,000	-	5,500,000
Accounts Payable and accrued liabilities	-	927,846	927,846
	5,500,000	927,846	6,427,846

	December 31, 2014		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	3,550,000	-	3,550,000
Accounts Payable and accrued liabilities	-	986,507	986,507
	3,550,000	986,507	4,536,507

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

3. Financial instruments and risk management (continued)

Liquidity risk is managed by investing in assets that are traded in an active market and can be readily sold or by borrowing under its credit facility (Note 4). The Company's common shares and Class A shares cannot be redeemed by shareholders. The Company endeavors to maintain sufficient liquidity to meet its expenses.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investment rises. When the value of the Canadian dollar rises, the value of foreign investment falls.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2015 and December 31, 2014.

Currency	December 31, 2015	December 31, 2014
	As % of net assets %	As % of net assets %
United States Dollar	54.47	67.70
Indian Rupee	11.76	11.15
Other	1.56	.94
	67.79	79.79

The Company's net assets would decrease or increase by approximately \$6,306,276 (2014 - \$7,381,444) in response to a 5% appreciation or depreciation of the Canadian dollar, with all other variables held constant. In practice, the actual results may differ materially.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as loan payable. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is a reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

The table below summarizes the Company's exposure to interest rate risks by remaining term to maturity.

	Less than 1 year	1 – 3 years	3 – 5 Years	Over 5 years	Total
	\$	\$	\$	\$	\$
Financial asset – bonds					
December 31, 2015	1,135,504	-	-	-	1,135,504
December 31, 2014	1,200,000	1,000,000	-	-	2,200,000
Loan payable					
December 31, 2015	5,500,000	-	-	-	5,500,000
December 31, 2014	3,550,000	-	-	-	3,550,000

As at December 31, 2015, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased by approximately \$56,492 (2014 - \$49,852). In practice, the actual results may differ materially.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

3. Financial instruments and risk management (continued)

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. Any equity and derivative instrument that the Company may hold are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other market risk arises from its investment in publicly and privately traded securities. As at December 31, 2015, for publicly traded securities, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$11,985,608 (2014 - \$13,728,189) (approximately 6.44% (2014 - 7.34%) of total net assets). In practice, the actual results may differ materially. Management is unable to meaningfully quantify any correlation of the price of its privately owned equities to changes in a benchmark index.

Capital management

Management manages the capital of the Company which consists of the net assets, in accordance with the Company's investment objectives. The Company is not subject to any capital requirements imposed by a regulator. The Company must comply with the covenants on the loan payable (Note 4).

4. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal (the "Bank"). On March 2, 2015 the loan facility agreement was amended to allow the Company to borrow up to \$25,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 1.25% (prior to March 2015, the Bank's prime rate plus 1.75%), calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets and allows the Company to purchase additional investments and/or for general corporate purposes. As at December 31, 2015, the outstanding balance of the loan was \$5,500,000 (2014 - \$3,550,000) which is the fair value of the loan. The minimum amount borrowed during the year ended December 31, 2015 was \$Nil (2014 - \$Nil) and the maximum amount borrowed during the year ended December 31, 2015 was \$16,050,000 (2014 - \$10,500,000). As at December 31, 2015, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

5. Resource properties

Urbana has owned resource properties in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its resource properties if and when it is deemed suitable. In November 2014, Urbana entered into a joint exploration agreement with Beaufield Resources Inc. ("Beaufield"), a company that owns neighboring properties, to explore the Urban Township region. The exploration program, led by Beaufield, is currently underway. Urbana's property is centrally located within the Urban-Barry greenstone belt and consists of the original claim group held since the 1940's when visible gold was first discovered in the area. Recent announcements by Beaufield and Oban Mining Corporation have prompted management to expand its exploration program for the property, portions of which have never been drilled.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

6. Share capital

At December 31, 2015 and 2014, share capital consists of the following:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Number	Amount	Number	Amount
		\$		\$
<i>Authorized</i>				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
<i>Issued - common shares</i>				
Balance, beginning of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
<i>Issued - non-voting Class A shares</i>				
Balance, beginning of year	47,548,300	137,459,094	50,525,200	146,065,122
Normal Course Issuer Bid Redemption	(4,159,800)	(12,025,716)	(2,976,900)	(8,606,028)
Balance, end of year	43,388,500	125,433,378	47,548,300	137,459,094
Total	53,388,500	133,432,271	57,548,300	145,457,987

The Non-Voting Class A shares ("Class A shares") and common shares have been classified as equity in these financial statements as the holder of these shares have no contractual rights that would require the Company to redeem the shares.

On August 27, 2015, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,411,688 of its own Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 31, 2015, and will terminate on the earlier of August 30, 2016, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX or the CSE in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares is to be the market price of such shares on the TSX or the CSE at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 4,946 Class A Shares, being 25% of the average daily volume for the most recently completed six months, which is 19,784 shares calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 4,946 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2015, Urbana has purchased 911,500 Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.99 per share. Previously, the TSX had accepted Urbana's notices of intention to conduct normal course issuer bids. Details of the previous normal course issuer bid purchases are as follows:

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

6. Share capital (continued)

Normal Course Issuer Bid Period	Total Number of Class A Shares Purchased during the Period	Average Price
August 28, 2008 - August 27, 2009	1,336,582	1.28
August 28, 2009 - August 27, 2010	3,083,920	1.32
August 28, 2010 - August 27, 2011	7,431,300	1.27
August 29, 2011 - August 28, 2012	6,636,033	1.01
August 29, 2012 - August 28, 2013	5,989,067	1.18
August 29, 2013 - August 28, 2014	5,386,000	1.78
August 29, 2014 - August 28, 2015	4,700,000	2.02

7. Related party transactions

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. ("CIM"), the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana.

Urbana has a 50% ownership interest in Radar Capital Inc. ("RCI"), a private capital company, and Urbana SRL Inc. ("SRL"), a company that ceased operating during 2015. From 2013 to 2015, Urbana advanced SRL a total of \$620,700. These advances are now included as a loss in realized gain on sale and disposal of investments. In 2015, Urbana invested \$1,750,000 (2014 - \$3,250,000) in Radar Capital Fund 1 Limited Partnership which is managed by RCI. As at December 31, 2015, Urbana owned 406,666 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

Caldwell Securities Ltd. ("CSL"), a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. The total amount of commission fees paid to CSL by Urbana during the years ended December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 were \$522,140, \$142,570, \$674,282 and \$279,879 respectively.

CIM provides investor relations services to Urbana pursuant to an agreement between Urbana and CIM dated October 1, 2015. In 2015, Urbana paid CIM \$12,250 (plus HST) for investor relations services provided by CIM. In 2015, Urbana also paid Caldwell Financial Ltd. \$25,833 (plus HST) for administrative services and office rental and storage.

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM. Pursuant to such agreement, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. In 2015, CIM earned \$3,338,609 of investment management fees from Urbana, as compared to \$3,101,401 in 2014. The investment management fees are accrued and paid quarterly in arrears. As at December 31, 2015 there was an investment management fee payable of \$836,079 to CIM (2014 - \$815,549).

All related party transactions are recorded at their exchange amounts.

8. Administrative expenses

As a result of the Company's reclassification from an investment fund to an investment corporation in July 2015, there were significant non-recurring expenses and on-going expenses incurred and included in administrative expenses in 2015.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

9. Income taxes

The Company's provision for income taxes for the years ended December 31, 2015 and 2014 is summarized as follows:

	2015	2014
	\$	\$
Net income before income taxes	10,845,213	23,827,345
Expected income taxes payable at future rates - 26.5% (2014 - 26.5%)	2,873,982	6,314,246
Income tax effect of the following:		
Non-taxable portion of realized capital transactions (gains)	(1,383,200)	(1,204,633)
Non-taxable portion of unrealized capital (gains)	(339,739)	(2,292,891)
Non-taxable dividends	(323,408)	(251,765)
Other	(300,990)	396,280
	526,645	2,961,237
Represented by		
Provision for current income taxes	(87,515)	-
Provision for deferred income taxes	450,000	2,870,000
Provision for foreign withholding taxes	164,160	91,237
	\$ 526,645	\$ 2,961,237

The components of the Company's deferred income tax liabilities are as follows:

	December 31, 2015	December 31, 2014
	\$	\$
Resource deductions available in perpetuity	(14,525)	(14,525)
Unrealized capital gains on investments	3,983,193	3,654,147
Taxes payable on 2015 transactions exceeding non-capital loss carryforwards at December 31, 2014	(328,548)	(771,246)
Other	(320,120)	1,624
Total deferred income tax liability	3,320,000	2,870,000

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2015 and December 31, 2014

10. Future accounting developments

In July 2014, the final version of IFRS 9 Financial Instruments (“IFRS 9”) was issued, which replaces IAS 39 – Financial Instrument: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting aligns hedge accounting with risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact the adoption of this standard will have on the financial statements.

In December 2014, a disclosure initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. Urbana will amend disclosures if required in the 2016 Financial Statements

11. Comparative figures

Urbana has re-evaluated the presentation of their investments in Radar Capital Inc. and Urbana SRL in accordance with IFRS 10, and as a result, have reclassified their investment in these entities of \$106,423 from sundry receivables to investments, at fair value for the year ended December 31, 2014. This reclassification did not have an effect on shareholders’ equity representing net assets as at December 31, 2014 or total profit for the year then ended.

12. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 29, 2016.

URBANA
CORPORATION

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