

Condensed Interim Financial Statements of

Urbana Corporation

As at September 30, 2016 and December 31, 2015 and for the three
and nine months ended September 30, 2016 and 2015

(Unaudited)

Urbana Corporation

September 30, 2016

(Unaudited)

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Urbana Corporation

Condensed interim statements of financial position

(Unaudited)
(In Canadian dollars)

As at	September 30, 2016	December 31, 2015
	\$	\$
Assets		
Cash and cash equivalents	178,283	345,723
Investments, at fair value (Notes 2 and 3)	218,849,578	195,274,320
Accounts and other receivables (Note 4)	153,481	83,967
Current income taxes	-	87,515
	219,181,342	195,791,525
Liabilities		
Loan payable (Note 6)	10,500,000	5,500,000
Deferred income tax liability (Note 10)	5,475,000	3,320,000
Accounts payable and accrued liabilities (Notes 5 and 9)	1,064,316	927,846
	17,039,316	9,747,846
Shareholders' equity		
Share capital (Note 8)	132,215,476	133,432,271
Contributed surplus	67,278,346	66,889,412
Retained earnings (deficit)	2,648,204	(14,278,004)
Shareholders' equity representing net assets	202,142,026	186,043,679
Total liabilities and shareholders' equity	219,181,342	195,791,525
Number of shares outstanding (Note 8)	52,967,600	53,388,500
Net assets per share - basic and diluted	3.82	3.48

See accompanying notes

Approved by the Board



Director



Director

Urbana Corporation

Condensed interim statements of comprehensive income (loss)

(Unaudited)
(In Canadian dollars)

For the period ended September 30	Three month period ended		Nine month period ended	
	2016	2015	2016	2015
	\$	\$	\$	\$
Revenue				
Net realized gain (loss) on sale and disposal of investments	(2,615,790)	(4,897,552)	4,531,110	12,833,326
Net change in unrealized gain (loss)	14,874,812	(471,858)	19,832,252	(7,730,243)
Dividends	638,646	619,344	1,726,338	3,027,924
Interest revenue (reversal of interest revenue)	17,534	(15,446)	52,795	68,813
	12,915,202	(4,765,512)	26,142,495	8,199,820
Expenses				
Investment management fees (Note 9)	894,091	845,128	2,500,722	2,502,530
Interest	89,594	79,728	235,245	213,156
Administrative (Note 9)	255,570	185,842	951,890	846,804
Transaction costs (Note 9)	59,455	39,618	419,686	366,482
Professional fees	105,475	26,924	557,834	167,885
	1,404,185	1,177,240	4,665,377	4,096,857
Net income (loss) before income taxes	11,511,017	(5,942,752)	21,477,118	4,102,963
Provision for (recovery of) current income taxes (Note 10)	(87,515)	(830,160)	-	200,000
Foreign withholding tax expense (recovery) (Note 10)	(340,637)	39,524	(273,528)	124,338
Provision for (recovery of) deferred income taxes (Note 10)	1,455,000	(92,115)	2,155,000	(200,000)
	1,026,848	(882,751)	1,881,472	124,338
Total profit (loss) for the period and total comprehensive income (loss)	10,484,169	(5,060,001)	19,595,646	3,978,625
Basic and diluted earnings (loss) per share	0.20	(0.09)	0.37	0.07
Weighted average number of shares outstanding	52,983,800	54,709,725	53,137,120	55,909,840

See accompanying notes

Urbana Corporation

Condensed interim statements of changes in equity

(Unaudited)
(In Canadian dollars)

For the nine months ended September 30	Share capital	Contributed surplus	Retained earnings/ (Deficit)	Total
	\$	\$	\$	\$
Balance at January 1, 2015	145,457,987	63,396,249	(21,719,144)	187,135,092
Profit for the period	-	-	3,978,625	3,978,625
Dividends paid	-	-	(2,877,428)	(2,877,428)
Normal course issuer bid repurchases	(10,144,295)	2,893,367	-	(7,250,928)
Balance at September 30, 2015	135,313,692	66,289,616	(20,617,947)	180,985,361
Balance at January 1, 2016	133,432,271	66,889,412	(14,278,004)	186,043,679
Profit for the period	-	-	19,595,646	19,595,646
Dividends paid	-	-	(2,669,438)	(2,669,438)
Normal course issuer bid repurchases	(1,216,795)	388,934	-	(827,861)
Balance at September 30, 2016	132,215,476	67,278,346	2,648,204	202,142,026

See accompanying notes

Urbana Corporation

Condensed interim statements of cash flows

(Unaudited)
(In Canadian dollars)

For the nine month period ended September 30	2016	2015
	\$	\$
Operating activities		
Total profit for the period	19,595,646	3,978,625
Items not affecting cash		
Gain on sale and disposal of investments	(4,531,110)	(12,833,326)
Net change in unrealized (gain) loss	(19,832,252)	7,730,243
Purchases of investments	(51,821,256)	(36,030,442)
Proceeds on sale of investments	52,609,360	43,499,933
Provision for (recovery of) deferred income taxes	2,155,000	(200,000)
	(1,824,612)	6,145,033
Net change in non-cash working capital items		
Accounts and other receivables	(69,513)	(325,534)
Current income taxes	87,515	200,000
Accounts payable and accrued liabilities	136,469	(25,974)
	154,471	(151,508)
Cash provided by (used in) operating activities	(1,670,141)	5,993,525
Financing activities		
Issuance of loan payable	41,600,000	36,300,000
Repayment of loan payable	(36,600,000)	(31,450,000)
Dividends paid	(2,669,438)	(2,877,428)
Normal course issuer bid repurchases	(827,861)	(7,250,928)
Cash provided by (used in) financing activities	1,502,701	(5,278,356)
Net change in cash and cash equivalents during the period	(167,440)	715,169
Cash and cash equivalents, beginning of period	345,723	920,032
Cash and cash equivalents, end of period	178,283	1,635,201
Supplemental disclosure		
Amount of interest paid	235,245	213,156

See accompanying notes

Urbana Corporation

Condensed interim schedule of investment portfolio as at September 30, 2016

(In Canadian dollars)

Number	Description	Cost	Fair value
		\$	\$
Privately owned entities			
2,350,563	Caldwell India Holdings Inc.(i)	25,599,727	15,062,690
791,000	Urbana Mauritius Inc. (ii)	7,313,848	5,469,511
11,684,403	CNSX Markets Inc. common stock	5,829,521	10,515,963
32	Minneapolis Grain Exchange (seats)	7,279,359	6,939,240
759,000	Caldwell Financial Ltd (Note 9)	1,707,750	2,201,100
5,000,040	Radar Capital Fund 1 Limited Partnership (Note 9)	5,000,044	6,950,056
300,000	Radar Capital Fund II Series F Limited Partnership (Note 9)	3,000,000	3,000,000
5,899,911	Real Matters Inc.	10,554,644	23,599,644
50	Radar Capital Inc.(Note 9)	50	50
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,228,900
406,066	Caldwell Growth Opportunities Trust (Note 9)	3,400,000	4,737,370
100	Urbana Special Investment Holdings Ltd. (iii)	2,894,499	3,326,361
272,982	Highview Financial Holdings Inc.	165,678	155,600
		78,745,120	88,186,485
Publicly traded securities			
150,000	CBOE Holdings Inc.	4,959,550	12,784,367
30,000	Intercontinental Exchange Group Inc.	6,230,769	10,620,191
250,000	Citigroup Inc.	11,699,826	15,518,007
1,000,000	Bank of America Corp.	13,949,677	20,568,012
399,400	Suncor Energy	13,608,518	14,546,148
350,000	Barrick Gold Corp.	6,174,997	8,134,011
445,000	Teck Resources Ltd. Class B	3,176,845	10,524,250
100,000	Canadian Imperial Bank of Commerce	9,032,380	10,173,000
50,000	Royal Bank of Canada	3,464,646	4,063,000
500,000	Morgan Stanley	13,867,051	21,067,427
150,000	Iamgold Corp.	1,008,151	795,000
10,000	TMX Group	577,000	602,500
		87,749,410	129,395,913
Other			
1,000,000	Highview Financial Holdings Inc. (iv)	1,000,000	1,000,000
100,000	Highview Financial Holdings Inc.(v)	100,000	100,000
1,300,000	Radar Capital Inc.(vi)	1,300,000	167,180
		2,400,000	1,267,180
		168,894,530	218,849,578

(i) Urbana owns 58.54% of the outstanding investor shares of Caldwell india Holdings Inc. ("CIHI"), 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 common shares (previously Class D common shares). This note was increased to \$1,500,000 upon maturity and is repayable on April 22, 2017 with a semi-annual interest payment of 83,853 common shares.

(v) Urbana holds an unsecured promissory note repayable on November 15, 2016 with a quarterly interest payment of 12,000 common shares (formerly Class D common shares).

(vi) 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 \$464,129 (2015 - \$169,632) have been recorded as a loss in realized gain on sale and disposal of investments.

See accompanying notes

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 condensed financial statements present the financial position and results of operations of the Company in accordance with International Financial Reporting Standards (“IFRS”) and are presented in compliance with International Accounting Standard “IAS” 34, *Interim financial reporting*.

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

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

The condensed 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 period. 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 condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 (Loss) for the period. 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, accounts and other receivables, loan payable, and accounts payable and accrued liabilities. 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 (loss). Cash and cash equivalents, accounts and other receivables are recorded as loans and receivables and are carried at amortized cost. Loan payable and accounts payable and accrued liabilities 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 condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 period 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 (Loss).

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 (Loss). 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 period is the tax payable for the period and any change during the period 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 condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

1. Summary of significant accounting policies (continued)

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the total profit (loss) for the period by the weighted average number of common shares outstanding during the period, 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 September 30, 2016 and December 31, 2015:

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	129,395,913	-	-	129,395,913
Privately owned entities	-	6,939,240	81,247,245	88,186,485
Other	-	-	1,267,180	1,267,180
	129,395,913	6,939,240	82,514,425	218,849,578

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

2. Fair value measurement (continued)

Level 3 valuation methods – September 30, 2016

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	15,062,690	Analysis of comparable exchanges	P/E multiple	21.6-41.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	5,469,511	Analysis of comparable exchanges	P/E multiple	21.6-41.7
Caldwell Financial Ltd.	2,201,100	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	4,737,370	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	155,600	Cost	N/A	N/A
Real Matters Inc.	23,599,644	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	6,950,056	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	3,000,000	Cost	N/A	N/A
Urbana Special Investment Holdings Ltd.	3,326,361	Market transaction	Recent transaction price	N/A
Private investments with no market for resale				
Highview Investments Limited Partnership	3,000,000	Cost	N/A	N/A
Four Lakes Capital Fund Limited Partnership	3,228,900	Net asset value per unit	N/A	N/A
Radar Capital Inc.	50	N/A	N/A	N/A
Private debt				
Radar Capital Inc.	167,180	Face value	N/A	N/A
Highview Financial Holdings Inc.	1,000,000	Face value	N/A	N/A
Highview Financial Holdings Inc.	100,000	Face value	N/A	N/A
Ending balance	82,514,425			

* 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 condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

2. Fair value measurement (continued)

	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

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	N/A
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 condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

2. Fair value measurement (continued)

During the nine month period ended September 30, 2016 and the year ended December 31, 2015 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	September 30, 2016		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	67,459,474	1,135,504	68,594,978
Change in unrealized gain (loss)	10,027,529	(268,324)	9,759,205
Purchases	8,521,484	400,000	8,921,484
Sales	(4,761,242)	-	(4,761,242)
Ending balance	81,247,245	1,267,180	82,514,425

	December 31, 2015		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	47,086,244	2,200,000	49,286,244
Purchases	5,995,900	500,000	5,995,900
Change in unrealized gain (loss)	14,658,661	(364,496)	14,794,165
Sales	(281,331)	(1,200,000)	(1,481,331)
Ending balance	67,459,474	1,135,504	68,594,978

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 September 30, 2016 and December 31, 2015 are as shown below:

Level 3 valuation methods – September 30, 2016

Description	Input	Sensitivity used*	Effect on fair value (\$)
Private investments with no recent transactions	P/E Multiple	1X	845,444
	1 x net fees plus share capital	10%	220,110
Private investments with access to recent transactions	Recent transaction price	10%	3,744,197
	Net asset value per unit	10%	1,168,743
	Cost	10%	315,560
Private investments with no market for resale	Cost	10%	300,005
	Net asset value per unit	10%	322,890
Private debt	Face value	10%	126,718

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

*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 nine month period ended September 30, 2016 and the year ended December 31, 2015, there were no transfers into/out of Level 1, Level 2 and Level 3 investments.

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Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 September 30, 2016, the Company holds approximately \$1.3 million (2015 - \$ 1.1 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.

	September 30, 2016		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand loan	10,500,000	-	10,500,000
Accounts payable and accrued liabilities	-	1,064,316	1,064,316
	10,500,000	1,064,316	11,564,316

	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

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 6). 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 September 30, 2016 and December 31, 2015.

Currency	September 30, 2016	December 31, 2015
	As % of net assets %	As % of net assets %
United States Dollar	45.63	54.47
Indian Rupee	10.16	11.76
Other	-	1.56
	55.79	67.79

The Company's net assets would decrease or increase by approximately \$5,638,829 (2015 - \$6,306,276) 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					
September 30, 2016	1,267,180	-	-	-	1,267,180
December 31, 2015	1,135,504	-	-	-	1,135,504
Loan payable					
September 30, 2016	10,500,000	-	-	-	10,500,000
December 31, 2015	5,500,000	-	-	-	5,500,000

As at September 30, 2016, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the net assets would have decreased or increased by approximately \$58,839 (2015 - \$24,935). In practice, the actual results may differ materially.

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

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 price risk arises from its investment in publicly and privately traded securities. As at September 30, 2016, 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 \$12,939,591 (2015 - \$ 11,985,608) (approximately 6.40% (2015 - 6.44 %) 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 6).

4. Accounts and other receivables

Accounts and other receivables consist of the following:

	September 30, 2016	December 31, 2015
	\$	\$
Amounts due from broker for investments sold	-	-
Spot foreign currency contract	-	-
Deposit on investments purchased	-	-
Other	153,481	83,967
	153,481	83,967

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2016	December 31, 2015
	\$	\$
Spot foreign currency contract	-	-
Amounts due to broker for investments purchased	-	-
Investment management fees payable (Note 9)	894,084	849,614
Other	170,232	78,232
	1,064,316	927,846

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

6. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal (the "Bank"). In 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 September 30, 2016, the outstanding balance of the loan was \$10,500,000 (2015 - \$5,500,000) which is the fair value of the loan. The minimum amount borrowed during the period ended September 30, 2016 was \$Nil (2015 - \$Nil) and the maximum amount borrowed during the period ended September 30, 2016 was \$15,800,000 (2015 - \$16,050,000). As at September 30, 2016, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

7. Mining Claims

Urbana has owned mineral claims 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 mineral claims if and when it is deemed suitable. In November 2014, Urbana entered into an exploration agreement with Beaufield Resources Inc. ("Beaufield"), a company that owns neighbouring properties, to explore the Urban Township region. Beaufield has led this exploration program. On June 6, 2016, Urbana issued a press release to announce the results from its winter drilling program. Geophysical work has been completed on previously unexplored portions of our Claim group. Urbana is in the process of developing an exploration program, which will include drilling, for the coming winter season.

8. Share capital

At September 30, 2016, share capital consists of the following:

	Nine month period ended September 30, 2016		Year ended December 31, 2015	
	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 period	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the period	-	-	-	-
Balance, end of period	10,000,000	7,998,893	10,000,000	7,998,893
<i>Issued - non-voting Class A shares</i>				
Balance, beginning of period	43,388,500	125,433,378	47,548,300	137,459,094
Normal Course Issuer Bid				
Repurchases	(420,900)	(1,216,795)	(4,159,800)	(12,025,716)
Balance, end of period	42,967,600	124,216,583	43,388,500	125,433,378
Total	52,967,600	132,215,476	53,388,500	133,432,271

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

8. Share capital (continued)

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 29, 2016, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,244,598 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, 2016, and will terminate on the earlier of August 30, 2017, the date Urbana completes its purchases pursuant to the notice of intention to conduct 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 Class A shares purchased under the NCIB are to be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 6,523 Class A Shares, being 25% of the average daily volume for the most recently completed six months, which is 26,092 Class A shares calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 6,523 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at September 30, 2016, Urbana has not purchased any Class A Shares pursuant to the NCIB. 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
August 31, 2015 - August 30, 2016	1,332,400	1.98

9. 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 were included as a loss in realized gain on sale and disposal of investments in 2015. As at September 30, 2016, Urbana owned 5,000,040 units of Radar Capital Fund 1 Limited Partnership and 300,000 units of Radar Capital Fund II Series F Limited Partnership which are both managed by RCI. As at September 30, 2016, Urbana owned 406,066 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. In the nine month period ended September 30, 2016, the total amount of commission fees paid to CSL by Urbana were \$419,686 (2015 - \$366,482) which were included in transaction costs.

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

9. Related party transactions (continued)

In the nine month period ended September 30, 2016, Urbana paid CSL \$305,100 (2015 - \$Nil) for investor relations, administrative services, office rental and storage which were all included in administrative expenses.

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 2016, CIM earned \$2,500,722 of investment management fees from Urbana, as compared to \$2,502,530 in 2015. The investment management fees are accrued daily and paid quarterly in arrears. As at September 30, 2016 there was an investment management fee payable included in accounts payable and accrued liabilities of \$894,084 to CIM (2015 - \$836,079).

All related party transactions are recorded at their exchange amounts.

10. Income taxes

The Company's provision for income taxes for the nine month periods ended September 30, 2016 and 2015 is summarized as follows:

	2016	2015
	\$	\$
Net income before income taxes	21,477,118	4,102,963
Expected income taxes payable at future rates - 26.5% (2015 - 26.5%)	5,691,436	1,087,285
Income tax effect of the following:		
Non-taxable portion of realized capital (gains) losses	(578,700)	(1,557,252)
Non-taxable portion of unrealized capital (gains) losses	(2,627,773)	978,211
Non-taxable dividends	(240,387)	(338,566)
Recovery of foreign withholding taxes	(273,528)	-
Adjustment to prior year's tax balance	(236,571)	-
Other	146,995	(45,340)
	1,881,472	124,338

represented by

Provision for (recovery of) deferred income taxes	2,155,000	(200,000)
Provision for current income taxes	-	200,000
Foreign withholding tax expense (recovery)	(273,528)	124,338
	1,881,472	\$ 124,338

Urbana Corporation

Notes to the condensed interim financial statements for the nine month period ended September 30, 2016 (Unaudited)

10. Income taxes (continued)

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

	September 30, 2016	December 31, 2015
	\$	\$
Resource deductions available in perpetuity	(14,525)	(14,525)
Unrealized capital gains on investments	6,557,015	3,983,193
Non-capital loss carryforwards	(976,334)	(328,548)
Other	(91,156)	(320,120)
Total deferred income tax liability	5,475,000	3,320,000

11. 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.

12. Approval of financial statements

The Financial Statements were approved by the Board of Directors and authorized for issue on November 8, 2016.