

Audited Financial Statements of

**Urbana Corporation**

December 31, 2017 and December 31, 2016

# Urbana Corporation

December 31, 2017 and December 31, 2016

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## 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, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in equity 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, 2017 and December 31, 2016, 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 9, 2018

# Urbana Corporation

## Statements of financial position

as at December 31, 2017 and December 31, 2016

(In Canadian dollars)

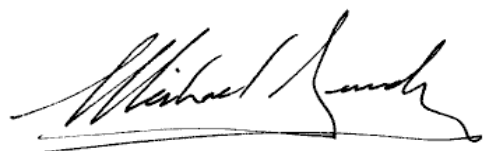
	December 31, 2017	December 31, 2016
	\$	\$
<b>Assets</b>		
Cash	460,860	386,699
Investments, at fair value (Notes 2 and 3)	266,297,552	259,611,829
Accounts and other receivables (Note 4)	62,518	143,210
	<b>266,820,930</b>	<b>260,141,738</b>
<b>Liabilities</b>		
Loan payable (Note 6)	500,000	11,800,000
Accounts payable and accrued liabilities (Note 5)	1,307,894	1,330,936
Deferred income tax liability (Note 10)	13,728,000	10,334,000
	<b>15,535,894</b>	<b>23,464,936</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	123,636,334	131,913,662
Contributed surplus	66,602,286	67,335,274
Retained earnings	61,046,416	37,427,866
Shareholders' equity representing net assets	<b>251,285,036</b>	<b>236,676,802</b>
Total liabilities and shareholders' equity	<b>266,820,930</b>	<b>260,141,738</b>
<b>Number of shares outstanding (Note 8)</b>	<b>50,000,000</b>	<b>52,863,200</b>

See accompanying notes

Approved by the Board



Director



Director

# Urbana Corporation

## Statements of comprehensive income

for the years ended December 31, 2017 and December 31, 2016

(In Canadian dollars)

	2017	2016
	\$	\$
<b>Revenue</b>		
Net realized gain on sale and disposal of investments	8,112,115	9,436,266
Net change in unrealized gain on investments	28,125,845	55,662,240
Dividends	2,525,892	2,391,819
Interest revenue	110,586	88,206
	<b>38,874,438</b>	<b>67,578,531</b>
<b>Expenses</b>		
Investment management fees (Note 9)	4,269,204	3,513,461
Interest	325,808	359,281
Administrative (Note 9)	1,229,563	1,354,543
Transaction costs (Note 9)	254,051	559,487
Professional fees	425,224	795,979
	<b>6,503,850</b>	<b>6,582,751</b>
Net income before income taxes	<b>32,370,588</b>	<b>60,995,780</b>
Foreign withholding tax expense (recovery) (Note 10)	170,251	(393,528)
Provision for deferred income taxes (Note 10)	3,394,000	7,014,000
Income tax expense	<b>3,564,251</b>	<b>6,620,472</b>
<b>Total profit and comprehensive income for the year</b>	<b>28,806,337</b>	<b>54,375,308</b>
<b>Basic and diluted earnings per share</b>	<b>0.57</b>	<b>1.02</b>
<b>Weighted average number of shares outstanding</b>	<b>50,489,846</b>	<b>53,076,669</b>

See accompanying notes

# Urbana Corporation

## Statements of changes in equity for the years ended December 31, 2017 and December 31, 2016 (In Canadian dollars)

	Share capital	Contributed surplus	Retained earnings/ (deficit)	Total
	\$	\$	\$	\$
Balance at January 1, 2016	133,432,271	66,889,412	(14,278,004)	186,043,679
Total profit and comprehensive income for the year	-	-	54,375,308	54,375,308
Dividends paid	-	-	(2,669,438)	(2,669,438)
Normal course issuer bid repurchases	(1,518,609)	445,862	-	(1,072,747)
<b>Balance at December 31, 2016</b>	<b>131,913,662</b>	<b>67,335,274</b>	<b>37,427,866</b>	<b>236,676,802</b>
<b>Balance at January 1, 2017</b>	<b>131,913,662</b>	<b>67,335,274</b>	<b>37,427,866</b>	<b>236,676,802</b>
<b>Total profit and comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>28,806,337</b>	<b>28,806,337</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>(5,187,787)</b>	<b>(5,187,787)</b>
<b>Normal course issuer bid repurchases</b>	<b>(8,277,328)</b>	<b>(732,988)</b>	<b>-</b>	<b>(9,010,316)</b>
<b>Balance at December 31, 2017</b>	<b>123,636,334</b>	<b>66,602,286</b>	<b>61,046,416</b>	<b>251,285,036</b>

See accompanying notes

# Urbana Corporation

## Statements of cash flows

for the years ended December 31, 2017 and December 31, 2016

(In Canadian dollars)

	2017	2016
	\$	\$
<b>Operating activities</b>		
Total profit and comprehensive income for the year	28,806,337	54,375,308
Items not affecting cash		
Net realized gain on sale and disposal of investments	(8,508,170)	(9,900,395)
Net change in unrealized gain on investments	(28,125,845)	(55,662,240)
Provision for deferred income taxes	3,394,000	7,014,000
Purchases of investments	(34,420,707)	(65,346,846)
Proceeds on sale of investments	64,368,999	66,571,972
	25,514,614	(2,948,201)
Net change in non-cash working capital items		
Accounts and other receivables	80,692	(59,243)
Current income taxes	-	87,515
Accounts payable and accrued liabilities	(23,042)	403,090
	57,650	431,362
Cash provided by (used in) operating activities	25,572,264	(2,516,839)
<b>Financing activities</b>		
Issuance of loan payable	36,100,000	53,200,000
Repayment of loan payable	(47,400,000)	(46,900,000)
Dividends paid	(5,187,787)	(2,669,438)
Normal course issuer bid repurchases	(9,010,316)	(1,072,747)
Cash provided by (used in) financing activities	(25,498,103)	2,557,815
Net change in cash during the year	74,161	40,976
Cash, beginning of year	386,699	345,723
<b>Cash, end of year</b>	<b>460,860</b>	<b>386,699</b>
<b>Supplemental disclosure</b>		
Interest paid	325,808	359,281

See accompanying notes



# Urbana Corporation

## Schedule of investment portfolio as at December 31, 2017

(In Canadian dollars)

Number of securities	Description	Cost	Fair value
	<b>Private equity investments</b>	\$	\$
757,569	Caldwell India Holdings Inc.(i)	16,501,204	14,140,174
395,500	Urbana Mauritius Inc. (ii)	7,312,848	7,338,973
13,260,878	CNSX Markets Inc.	7,248,349	11,934,790
32	Minneapolis Grain Exchange (seats)	7,279,359	6,816,048
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	2,728,000
5,000,040	Radar Capital Fund 1 Limited Partnership (iii) (Note 9)	4,358,561	10,050,080
300,000	Radar Capital Fund II Series F Limited Partnership (Note 9)	3,000,000	3,945,000
300,000	HIVE Blockchain Technologies Ltd.	840,000	1,016,074
50	Radar Capital Inc. (Note 9)	50	50
9,909,025	Highview Financial Holdings Inc. (Note 9)	5,406,753	8,346,966
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,798,900
406,066	Caldwell Growth Opportunities Trust (iv) (Note 9)	3,400,000	4,913,156
100	Urbana Special Investment Holdings Ltd. (v)	2,894,499	1,403,321
		63,068,273	76,431,532
	<b>Public equity investments</b>		
150,000	Cboe Global Markets, Inc.	4,959,551	23,415,756
125,000	Intercontinental Exchange Group Inc.	5,192,307	11,051,019
250,000	Citigroup Inc.	11,699,826	23,308,002
800,000	Bank of America Corp.	11,159,742	29,589,667
250,000	Suncor Energy	9,480,386	11,537,500
250,000	Barrick Gold Corp.	4,425,343	4,542,011
400,000	Teck Resources Ltd. Class B	4,552,271	13,148,000
400,000	Morgan Stanley	11,093,641	26,296,915
600,000	Deutsche Bank AG	12,275,552	14,306,183
3,135,711	Real Matters Inc. (vi)	12,179,624	31,607,967
		87,018,243	188,803,020
	<b>Private debt investments</b>		
500,000	NinePoint Financial Group Inc. (vii)	500,000	500,000
500,000	NinePoint Financial Group Inc. (viii)	500,000	500,000
1,300,000	Radar Capital Inc.(ix)	1,300,000	63,000
		2,300,000	1,063,000
		152,386,516	266,297,552

(i) Urbana owns 64.57% of the investor shares of Caldwell India Holdings Inc. ("CIHI"), which holds 1,173,319 equity shares of the Bombay Stock Exchange (the "BSE"). These shares became freely tradeable on February 1, 2018. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the voting ordinary shares. The fair value of these voting ordinary shares is nominal.

(ii) Urbana Mauritius Inc., a wholly-owned subsidiary of Urbana, holds 395,500 equity shares of the BSE. These shares became freely tradeable on February 1, 2018.

(iii) Radar Capital Fund 1 Limited Partnership ("Radar 1") owns 30% of the common shares of Highview Financial Holdings Inc.

(iv) Caldwell Growth Opportunities Trust owns 30% of the investor shares of CIHI and 8% of the units of Radar 1.

(v) Urbana Special Investment Holdings Ltd., a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of OneChicago LLC.

(vi) The Real Matters Inc. shares owned by Urbana became freely tradeable on November 7, 2017.

(vii) Unsecured promissory note maturing on August 1, 2023 with interest at 12% per annum payable quarterly.

(viii) Unsecured promissory note maturing on August 1, 2023 with interest compounding annually at 12% per annum payable on the maturity date.

(ix) Unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. Mining expenditures of \$396,055 (2016 - \$464,129) have been recorded as a loss in computing net realized gain on sale and disposal of investments.

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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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 effectively removed the classification of the Company as an investment fund. As a result, Urbana is not considered an investment fund for securities law purposes but continues to be treated as an investment fund for accounting purposes.

The Company’s common shares and non-voting class A shares (“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 strategy of Urbana is to seek out, and invest in, private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income and liquidity.

### 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 under IFRS 10, *Consolidated Financial Statements*.

#### *Statement of compliance*

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 period. Actual results could differ from those estimates. Significant judgments and estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax liability.

#### 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.

#### 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, provided the close price is within the bid-ask spread.

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

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 1. Summary of significant accounting policies (continued)

#### *Judgments and estimates (continued)*

##### Valuation of investments (continued)

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.

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.

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.

##### Mining Claims

In accordance with IFRS 6 "*Exploration for and Evaluation of Mineral Resources*", Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources.

#### *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.

#### *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.

#### *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

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 1. Summary of significant accounting policies (continued)

Comprehensive Income 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.

#### *Financial instruments*

The Company's financial instruments are comprised of cash, 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. Cash, 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.

#### *Transaction costs*

Transaction costs are expensed as incurred 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.

#### *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.

#### *Earnings per share*

Basic earnings per share is computed by dividing the total profit 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.

# Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

## 1. Summary of significant accounting policies (continued)

### *Interests in Other Entities*

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2017:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc.	Mauritius	64.57%	100%
Urbana Mauritius Inc.	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd.	Toronto	100%	100%

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2016:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc.	Mauritius	58.84%	100%
Urbana Mauritius Inc.	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd.	Toronto	100%	100%

## 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, 2017:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	188,803,020	-	-	188,803,020
Private equity investments	-	29,311,269	47,120,263	76,431,532
Private debt investments	-	-	1,063,000	1,063,000
	188,803,020	29,311,269	48,183,263	266,297,552

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2017

Description	Fair value <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Private equity investments</b>	<b>\$</b>			
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	<b>14,140,174</b>	Market transaction	Discount for lack of marketability	1.0% discount
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	<b>7,338,973</b>	Market transaction	Discount for lack of marketability	1.0% discount
Highview Financial Holdings Inc.	<b>8,346,966</b>	EV as a % of AUM <sup>(3)</sup> EV as a % of AUA <sup>(4)</sup>	EV as a % of AUM EV as a % of AUA	1.0%-4.0% 0.5%
Urbana Special Investment Holdings Ltd.	<b>1,403,321</b>	Average P/E multiple	Average P/E multiple	LTM P/E: 8.6-115.9 <sup>(5)</sup> NTM P/E: 8.5-34.0 <sup>(6)</sup>
Caldwell Financial Ltd.	<b>2,728,000</b>	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
CNSX Markets Inc.	<b>11,934,790</b>	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	<b>4,913,156</b>	Net asset value per unit	Net asset value per unit	N/A
HIVE Blockchain Technologies Ltd.	<b>1,016,074</b>	Market transaction	Discount for lack of marketability	1.3% discount
Radar Capital Fund 1 Limited Partnership	<b>10,050,080</b>	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	<b>3,945,000</b>	Net asset value per unit	Net asset value per unit	N/A
Minneapolis Grain Exchange (seats)	<b>6,816,048</b>	Market transaction	Recent transaction price	N/A
Four Lakes Capital Fund Limited Partnership	<b>3,798,900</b>	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	<b>50</b>	N/A	N/A	N/A

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2017 (continued)

Description	Fair value <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Private debt investments</b>				
Radar Capital Inc.	<b>63,000</b>	Cash value	N/A	N/A
NinePoint Financial Group Inc.	<b>500,000</b>	Face value	N/A	N/A
NinePoint Financial Group Inc.	<b>500,000</b>	Face value	N/A	N/A
<b>Ending balance</b>	<b>77,494,532</b>			

<sup>(1)</sup>See Note 1 – Valuation of investments

<sup>(2)</sup>Where it is not applicable, an input or range has not been provided

<sup>(3)</sup>Enterprise value of assets under management

<sup>(4)</sup>Enterprise value of assets under administration

<sup>(5)</sup>Last twelve months P/E: 30.78x

<sup>(6)</sup>Next twelve months P/E: 17.75x

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2016:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	157,264,569	-	-	157,264,569
Private equity investments	-	7,080,744	93,475,297	100,556,041
Private debt investments	-	-	1,791,219	1,791,219
	157,264,569	7,080,744	95,266,516	259,611,829

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016

Description	Fair value <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Private equity investments</b>	\$			
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	17,371,898	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	6,025,177	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Bermuda Stock Exchange	73,816	Analysis of comparable exchanges	P/E multiple	16.9-30.5
Urbana Special Investment Holdings Ltd.	3,352,413	Weighted average of discounted cash flow, and Average P/E multiple	Discount rate Average P/E multiple	12.74% LTM P/E: 10.1-254.8 <sup>(3)</sup> NTM P/E: 11.3-44.0 <sup>(4)</sup>
Caldwell Financial Ltd.	2,432,000	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
Minneapolis Grain Exchange (seats)	7,080,744	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	10,515,963	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,374,225	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	194,304	EV as a % of AUM <sup>(5)</sup> EV as a % of AUA <sup>(6)</sup>	EV as a % of AUM EV as a % of AUA	1.0%-4.0% 0.5%
Real Matters Inc.	32,599,513	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	7,235,338	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	3,000,000	Net asset value per unit	Net asset value per unit	N/A
Highview Investments Limited Partnership	3,000,000	Net asset value per unit	Net asset value per unit	N/A
Four Lakes Capital Fund Limited Partnership	3,300,600	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	50	N/A	N/A	N/A



# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016 (continued)

Description	Fair value <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Private debt investments</b>				
Radar Capital Inc.	191,219	Cash value	N/A	N/A
Highview Financial Holdings Inc.	1,500,000	Face value	N/A	N/A
Highview Financial Holdings Inc.	100,000	Face value	N/A	N/A
Ending balance	102,347,260			

<sup>(1)</sup> See Note 1 – Valuation of investments

<sup>(2)</sup> Where it is not applicable, an input or range has not been provided

<sup>(3)</sup> Last twelve months P/E: 45.99x

<sup>(4)</sup> Next twelve months P/E: 14.90x

<sup>(5)</sup> Enterprise value of assets under management

<sup>(6)</sup> Enterprise value of assets under administration

#### Change in valuation methodology

During 2017, the Company changed the primary valuation technique for Caldwell India Holdings Inc. (“CIHI”) and Urbana Mauritius Inc. (“UMI”) from a methodology based on a P/E multiple to a methodology based on a recent market transaction, discounted due to a hold period. This change was made since the shares of the Bombay Stock Exchange, which are the primary investment of CIHI and UMI, commenced trading on a stock exchange. Similarly, the shares of Real Matters Inc. commenced trading on a stock exchange in 2017 and as a result, the valuation methodology has been changed from a recent market transaction price in an inactive market to a recent market transaction price in an active market, discounted due to a hold period.

During 2016, the Company changed the primary valuation technique for Urbana Special Investment Holdings Ltd. from a methodology based on a recent market transaction to a weighted average of discounted cash flows and average P/E multiples. During 2017, the Company’s primary valuation technique changed to a methodology based only on average P/E multiples. These changes were made because management determined that the 2015 transaction that was used in the 2016 valuation was no longer reflective of fair value due to the passage of time and the level of uncertainty associated with discounted cash flows was unacceptable.

During the years ended December 31, 2017 and 2016 the reconciliations of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	December 31, 2017		
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	93,475,297	1,791,219	95,266,516
Change in unrealized gain (loss)	12,537,709	(128,219)	12,409,490
Purchases	8,981,860	1,000,000	9,981,860
Sales	(14,787,489)	(1,600,000)	(16,387,489)
Transfers out of level 3	(53,087,114)	-	(53,087,114)
Ending balance	47,120,263	1,063,000	48,183,263

# Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

## 2. Fair value measurement (continued)

	December 31, 2016		
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	67,459,474	1,135,504	68,594,978
Change in unrealized gain (loss)	20,469,861	(244,285)	20,225,576
Purchases	10,307,204	900,000	11,207,204
Sales	(4,761,242)	-	(4,761,242)
Ending balance	93,475,297	1,791,219	95,266,516

### Sensitivity analysis to significant changes in unobservable inputs within the Level 2 and 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 2 and 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2017 and December 31, 2016 are as shown below:

Level 2 and 3 valuation methods – December 31, 2017

Description	Input	Sensitivity used <sup>(1)</sup>	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	272,800
	Average P/E multiple	1X	59,600
	EV as a % of assets under management	1%	3,401,291
	EV as a % of assets under administration	1%	4,085,611
	Recent transaction price	10%	1,875,084
	Discount for lack of marketability	5%	1,124,761
	Net asset value per unit	10%	2,270,719
Private debt investments	Cash value	10%	6,300
	Face value	10%	100,000
<b>Total</b>			<b>13,196,166</b>

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods - December 31, 2016

Description	Input	Sensitivity used <sup>(1)</sup>	Effect on fair value (\$)
Private equity investments	P/E multiple	1X	1,041,748
	1 x net fees plus net assets	10%	243,200
	Average P/E multiple	1X	10,661
	Discount rate	1%	846,889
	Recent transaction price	10%	5,019,622
	Net asset value per unit	10%	2,091,021
	EV as a % of assets under management	1%	143,960
	EV as a % of assets under administration	1%	198,581
	Private debt investments	Cash value	10%
	Face value	10%	160,000
Total			9,774,804

<sup>(1)</sup> 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.

During 2017, the investments in CIHI, UMI and Real Matters Inc. were transferred out of Level 3 to Level 2 because shares of the Bombay Stock Exchange, which are the primary investment of CIHI and UMI, and shares of Real Matters Inc. commenced trading on a stock exchange in 2017. In addition, during 2017 the investment in Real Matters Inc. was transferred out of Level 2 to Level 1 because the shares became freely tradeable during the year. During 2016, there were no transfers into/out of Level 1, Level 2 or Level 3 investments.

### 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 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, 2017, the Company holds approximately \$1.1 million (2016 - \$1.8 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.

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 3. Financial instruments and risk management (continued)

#### Liquidity risk (continued)

	December 31, 2017		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	500,000	-	500,000
Accounts payable and accrued liabilities	-	1,307,894	1,307,894
	<b>500,000</b>	<b>1,307,894</b>	<b>1,807,894</b>

	December 31, 2016		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	11,800,000	-	11,800,000
Accounts payable and accrued liabilities	-	1,330,936	1,330,936
	<b>11,800,000</b>	<b>1,330,936</b>	<b>13,130,936</b>

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 investments rise. When the value of the Canadian dollar rises, the value of foreign investments fall.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2017 and 2016:

Currency	December 31, 2017	December 31, 2016
	As a % of net assets	As a % of net assets
	%	%
United States Dollar	54.69	52.32
Indian Rupee	8.55	9.89
	<b>63.24</b>	<b>62.21</b>

As at December 31, 2017, the Company's net assets would have decreased or increased by approximately \$7,945,558 (2016 - \$7,361,175) 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.

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 3. Financial instruments and risk management (continued)

#### *Interest rate risk*

Interest rate risk arises on interest-bearing financial instruments such as promissory notes held. 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 – promissory notes					
December 31, 2017	<b>63,000</b>	-	-	<b>1,000,000</b>	<b>1,063,000</b>
December 31, 2016	1,791,219	-	-	-	1,791,219
Loan payable					
December 31, 2017	<b>500,000</b>	-	-	-	<b>500,000</b>
December 31, 2016	11,800,000	-	-	-	11,800,000

As at December 31, 2017, 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 \$77,978 (2016 - \$90,443). In practice, the actual results may differ materially.

#### *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 is 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 December 31, 2017, 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 \$18,880,302 (2016 - \$ 15,726,457) (approximately 7.51% (December 31, 2016 - 6.64%) 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).

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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#### 4. Accounts and other receivables

Accounts and other receivables consist of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Dividends	22,038	125,610
Interest	40,480	17,600
	62,518	143,210

#### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Investment management fees (Note 9)	1,119,796	1,012,695
Professional fees	138,727	279,809
Loan interest	12,338	38,432
Administrative fees	33,475	-
Other	3,558	-
	1,307,894	1,330,936

#### 6. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with a major Canadian bank (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 the Bank's prime rate plus 1.25%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at December 31, 2017, the outstanding balance of the loan was \$500,000 (2016 - \$11,800,000) which is the fair value of the loan. During the year ended December 31, 2017, the minimum amount borrowed was \$Nil (2016 - \$Nil) and the maximum amount borrowed was \$14,400,000 (2016 - \$16,000,000). As at December 31, 2017 and 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. Urbana holds 44 claims in the area totaling 1,154.4 hectares or 2,852.7 acres. Geophysical work and drilling have been conducted on previously unexplored portions of our claim group in 2017. Urbana completed a winter drill program in March 2017 targeting several identified geological anomalies. A comprehensive report summarizing both the exploration work completed in the recent past and results to date is underway and will assist in determining next steps. In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources. Urbana has incurred costs totaling \$1,051,406 of which \$396,055 relates to 2017 (2016 - \$464,129). These costs have been expensed as incurred and are recorded as a loss in net realized gain on sale and disposal of investments.

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

### 8. Share Capital

As at December 31, 2017 and 2016 share capital consists of the following:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	Amount \$	Number	Amount \$
<i>Authorized</i>				
Preferred shares	Unlimited	N/A	Unlimited	N/A
Common shares	Unlimited	N/A	Unlimited	N/A
Class A Shares	Unlimited	N/A	Unlimited	N/A
<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 - Class A Shares</i>				
Balance, beginning of year	42,863,200	123,914,769	43,388,500	125,433,378
Normal Course Issuer Bid				
Repurchases	(2,863,200)	(8,277,328)	(525,300)	(1,518,609)
Balance, end of year	40,000,000	115,637,441	42,863,200	123,914,769
<b>Total</b>	<b>50,000,000</b>	<b>123,636,334</b>	<b>52,863,200</b>	<b>131,913,662</b>

The Class A Shares and common shares have been classified as equity in these financial statements as the holders of these shares have no contractual rights that would require the Company to redeem the shares.

On August 28, 2017, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 3,965,762 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, 2017, and will terminate on the earlier of August 30, 2018, 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 7,996 Class A Shares, being 25% of the average daily volume for the most recently completed six months prior to the filing of the NCIB with the TSX, which is 31,987 Class A Shares, calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 7,996 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2017, 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:

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 8. Share capital (continued)

<b>Normal Course Issuer Bid Period</b>	<b>Total Number of Class A Shares Purchased during the Period</b>	<b>Average Price</b>
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
August 31, 2016 - August 30, 2017	2,967,600	3.12
August 31, 2017 - August 30, 2018	-	-

### 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. As at December 31, 2017 and 2016, Urbana owned 5,000,040 units of Radar Capital Fund 1 Limited Partnership ("Radar 1") and 300,000 units of Radar Capital Fund II Series F Limited Partnership, which are both managed by RCI. As at December 31, 2017 and 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

RCI also managed Highview Investments Limited Partnership ("HILP"). In 2017, Urbana exchanged the common shares and promissory notes of Highview Financial Holdings Inc. ("HFHI") it held for additional units of HILP and subsequently converted all its units of HILP into common shares of HFHI as part of a HFHI capital restructuring.

As at December 31, 2017 and 2016, Urbana owned 9,909,025 and 340,884 common shares respectively, of HFHI. As at December 31, 2017 and 2016, Radar 1 owned 5,945,415 and 3,270,543 common shares respectively, of HFHI.

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 this 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 2017, CIM earned \$4,269,204 of investment management fees from Urbana (2016 - \$3,513,461). The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2017 there was an investment management fee payable included in accounts payable and accrued liabilities of \$1,119,796 to CIM (2016 - \$1,012,695).

Caldwell Securities Ltd. ("CSL"), a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. In 2017, the total commission fees paid to CSL by Urbana amounted to \$254,051 (2016 - \$531,425) which was included in transaction costs.

In 2017, Urbana paid CSL \$406,800 (2016 - \$406,800) for administrative services, including investor relations services, office and conference room access for Urbana's directors and officers, and accounting services, including the services of an individual to perform the functions of Urbana's chief financial officer. This expense was included in administrative expenses.



# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 9. Related party transactions (continued)

All related party transactions are recorded at their exchange amounts, being amounts established and agreed to by related parties.

### 10. Income taxes

The Company's provision for income taxes for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	\$	\$
Net income before income taxes	<b>32,370,588</b>	60,995,780
Expected income taxes payable at future rates - 26.5%	<b>8,578,206</b>	16,163,882
Income tax effect of the following:		
Non-taxable portion of realized capital gains	<b>(1,107,610)</b>	(1,215,694)
Non-taxable portion of unrealized capital gains	<b>(3,726,674)</b>	(7,375,247)
Non-taxable dividends	<b>(169,792)</b>	(316,285)
Foreign withholding tax expense (recovery), net of Canadian tax	<b>125,134</b>	(289,243)
Other	<b>(135,013)</b>	(346,941)
<b>Income tax expense</b>	<b>3,564,251</b>	6,620,472

The income tax expense is represented as follows:

Provision for deferred income taxes	<b>3,394,000</b>	7,014,000
Foreign withholding tax expense (recovery)	<b>170,251</b>	(393,528)
<b>Income tax expense</b>	<b>3,564,251</b>	6,620,472

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

	2017	2016
	\$	\$
Resource deductions available in perpetuity	<b>(10,960)</b>	(10,960)
Unrealized capital gains on investments	<b>14,872,050</b>	11,252,015
Non-capital loss carryforwards	<b>(934,177)</b>	(708,975)
Other	<b>(198,913)</b>	(198,080)
<b>Total deferred income tax liability</b>	<b>13,728,000</b>	10,334,000

At December 31, 2017, the Company had non-capital losses of \$3,525,196 (December 31, 2016 - \$3,176,979) available for carryforward for tax purposes. The expiry dates of these losses are as follows:

Expiry Date	Amount
	\$
December 31, 2028	444,923
December 31, 2029	151,246
December 31, 2031	2,450,121
December 31, 2032	130,689
December 31, 2037	348,217
	<b>3,525,196</b>

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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### 11. Dividends

On January 31, 2017 the Company paid a regular cash dividend of \$0.05 per share, plus a special cash dividend of \$0.05 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A Shares as at January 17, 2017 amounting to \$5,187,787. On February 12, 2016 the Company paid a cash dividend of \$0.05 per share on the issued and outstanding common and Class A Shares as at January 28, 2016 amounting to \$2,669,438. Subsequent to year end on January 31, 2018 the Company paid a regular cash dividend of \$0.07 per share, plus a special cash dividend of \$0.03 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A Shares as at January 17, 2018 amounting to \$5,000,021.

### 12. New standards, amendments and interpretations issued but not yet effective

#### ***IFRS 9 Financial Instruments (“IFRS 9”)***

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard the date it becomes effective.

#### *Classification and measurement of financial assets and financial liabilities*

Under IFRS 9, classification and measurement of financial assets will be driven by the Company’s business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer’s own credit risk will be presented in other comprehensive income.

Based on the Company’s initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Company makes decisions based on the assets’ fair values and manages the assets to realize those fair values. As such the majority of the Company’s financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

#### *Impairment of financial assets*

IFRS 9 also introduces the expected credit loss (“ECL”) model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact on the Company’s financial assets given that the majority of the Company’s financial assets will continue to be measured at FVTPL.

#### *Hedge accounting*

The Company does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Company’s financial statements.

Based on the Company’s initial assessment, IFRS 9 is not expected to have a material impact on the Company’s financial statements.

# Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

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**13. Subsequent event**

On January 31, 2018, the Company's investments in units of Radar Capital Fund 1 Limited Partnership and units of Radar Capital Fund II Series F Limited Partnership, and its debt holdings of Radar Capital Inc. were converted into units of Radar Capital Inc., which are comprised of preferred shares and class B common shares, as part of a capital restructuring of Radar Capital Inc. In addition, the common shares of Radar Capital Inc. held by the Company were re-designated and split at the ratio of 47,000 to 1.

**14. Approval of financial statements**

The financial statements were approved by the Board of Directors and authorized for issue on March 9, 2018.