

Condensed Interim Financial Statements of

Urbana Corporation

September 30, 2019 and September 30, 2018

(Unaudited)

NOTICE: This interim financial report has not been reviewed by an auditor

Urbana Corporation

September 30, 2019 and September 30, 2018
(Unaudited)

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Urbana Corporation

Condensed interim statements of financial position
as at September 30, 2019 and December 31, 2018

(Unaudited)

(In Canadian dollars)

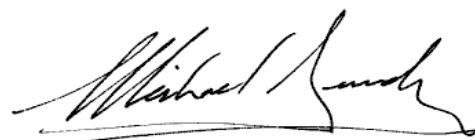
	September 30, 2019	December 31, 2018
	\$	\$
Assets		
Cash	211,819	17,164,349
Investments, at fair value (Notes 2 and 3)	269,866,769	199,128,109
Accounts and other receivables (Note 4)	240,066	109,475
	270,318,654	216,401,933
Liabilities		
Loan payable (Note 6)	16,400,000	-
Accounts payable and accrued liabilities (Note 5)	1,319,282	1,090,068
Deferred income tax liability (Note 10)	11,871,000	7,883,000
	29,590,282	8,973,068
Shareholders' equity		
Share capital (Note 8)	123,215,125	123,636,334
Contributed surplus	66,659,067	66,602,286
Retained earnings	50,854,180	17,190,245
Shareholders' equity representing net assets	240,728,372	207,428,865
Total liabilities and shareholders' equity	270,318,654	216,401,933
Number of shares outstanding (Note 8)	49,854,300	50,000,000

See accompanying notes

Approved by the Board



Director



Director

Urbana Corporation

Condensed interim statements of comprehensive income (loss)
for the three and nine month periods ended September 30, 2019 and September 30, 2018
(Unaudited)

(In Canadian dollars)

	Three month period ended September 30		Nine month period ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue				
Net realized gain on sale and disposal of investments	2,572,660	1,009,623	3,842,753	15,015,182
Net change in unrealized gain (loss) on investments	15,814,135	(6,441,558)	39,460,606	(38,549,215)
Dividends	822,878	621,651	2,229,867	1,801,536
Interest revenue	49,612	30,286	57,196	90,464
	19,259,285	(4,779,998)	45,590,422	(21,642,033)
Expenses				
Investment management fees (Note 9)	1,088,799	1,030,281	2,921,218	3,163,694
Interest	133,178	89,345	135,172	288,676
Administrative (Note 9)	317,445	234,906	861,359	957,884
Transaction costs (Note 9)	61,733	68,516	135,354	175,539
Professional fees	63,216	72,574	178,714	217,002
	1,664,371	1,495,622	4,231,817	4,802,795
Net income (loss) before income taxes	17,594,914	(6,275,620)	41,358,605	(26,444,828)
Foreign withholding tax expense (Note 10)	67,976	68,294	206,655	237,168
Provision for (recovery of) deferred income taxes (Note 10)	2,138,000	(915,000)	3,988,000	(3,323,000)
Income tax expense (recovery)	2,205,976	(846,706)	4,194,655	(3,085,832)
Total profit (loss) and comprehensive income (loss) for the period	15,388,938	(5,428,914)	37,163,950	(23,358,996)
Basic and diluted earnings (loss) per share	0.31	(0.11)	0.74	(0.47)
Weighted average number of shares outstanding	49,953,150	50,000,000	49,981,260	50,000,000

See accompanying notes

Urbana Corporation

Condensed interim statements of changes in equity
for the nine month periods ended September 30, 2019 and September 30, 2018
(Unaudited)
(In Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Total
	\$	\$	\$	\$
Balance at January 1, 2018	123,636,334	66,602,286	61,046,416	251,285,036
Total loss and comprehensive loss for the period	-	-	(23,358,996)	(23,358,996)
Dividends paid	-	-	(5,000,021)	(5,000,021)
Balance at September 30, 2018	123,636,334	66,602,286	32,687,399	222,926,019
Balance at January 1, 2019	123,636,334	66,602,286	17,190,245	207,428,865
Total profit and comprehensive income for the period	-	-	37,163,950	37,163,950
Dividends paid	-	-	(3,500,015)	(3,500,015)
Normal course issuer bid repurchases	(421,209)	56,781	-	(364,428)
Balance at September 30, 2019	123,215,125	66,659,067	50,854,180	240,728,372

See accompanying notes

Urbana Corporation

Condensed interim statements of cash flows
for the nine month periods ended September 30, 2019 and September 30, 2018
(Unaudited)

(In Canadian dollars)

	2019	2018
	\$	\$
Operating activities		
Total profit (loss) and comprehensive income (loss) for the period	37,163,950	(23,358,996)
Items not affecting cash		
Net realized gain on sale and disposal of investments	(3,842,753)	(15,102,473)
Net change in unrealized (gain) loss on investments	(39,460,606)	38,549,215
Provision for (recovery of) deferred income taxes	3,988,000	(3,323,000)
Purchases of investments	(48,049,187)	(45,334,825)
Proceeds on sale of investments	20,613,886	49,467,887
	(29,586,710)	897,808
Net change in non-cash working capital items		
Accounts and other receivables	(130,591)	(55,299)
Accounts payable and accrued liabilities	229,214	(99,809)
	98,623	(155,108)
Cash provided by (used in) operating activities	(29,488,087)	742,700
Financing activities		
Issuance of loan payable	17,700,000	30,700,000
Repayment of loan payable	(1,300,000)	(26,600,000)
Dividends paid	(3,500,015)	(5,000,021)
Normal course issuer bid repurchases	(364,428)	-
Cash provided by (used in) financing activities	12,535,557	(900,021)
Net change in cash during the period	(16,952,530)	(157,321)
Cash, beginning of period	17,164,349	460,860
Cash, end of period	211,819	303,539
Supplemental disclosure		
Interest paid	135,172	288,676

See accompanying notes

Urbana Corporation

Condensed interim schedule of investment portfolio as at September 30, 2019

(In Canadian dollars)

Number of securities	Description	Cost	Fair value
	Private equity investments	\$	\$
13,260,878	CNSX Markets Inc. (Note 9)	7,248,349	26,521,756
35	Minneapolis Grain Exchange (seats)	8,151,851	9,731,400
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	1,680,000
2,350,000	Radar Capital Inc. Class A Common (i) (Note 9)	50	50
16,755,081	Radar Capital Inc. Class B Common (i) (Note 9)	12,566,311	13,906,717
3,000,000	Evolve Funds Group Inc. Class A Preferred	3,000,000	3,594,009
1,001,667	Evolve Funds Group Inc. Class B Preferred	1,200,000	1,200,000
9,909,025	Highview Financial Holdings Inc. (Note 9)	5,406,753	9,710,845
4,538,460	Four Lakes Capital Fund Limited Partnership	4,999,998	4,741,783
84,012	Caldwell Growth Opportunities Trust (ii) (Note 9)	703,437	794,387
465,381	Vive Crop Protection Inc. Class A Preferred	314,132	314,132
455,671	Vive Crop Protection Inc. Class B Preferred	45,567	45,567
122,222	Kognitiv Corporation	2,404,596	2,831,884
		47,867,694	75,072,530
	Public equity investments		
757,569	Caldwell India Holdings Inc. (iii)	16,501,204	9,817,372
395,500	Urbana Mauritius Inc. (iv)	7,312,848	5,053,145
110,000	Cboe Global Markets, Inc.	3,637,004	16,735,492
115,000	Intercontinental Exchange Group Inc.	4,776,923	14,049,030
160,000	Citigroup Inc.	7,487,889	14,633,907
450,000	Bank of America Corp.	6,277,355	17,379,486
250,000	Suncor Energy	9,900,465	10,447,500
400,000	Teck Resources Ltd. Class B	4,552,271	8,592,000
275,000	Morgan Stanley	7,626,878	15,536,147
3,100,000	Real Matters Inc.	12,040,917	34,224,000
350,000	Detour Gold Corp.	3,991,474	6,807,500
50,000	Canadian Imperial Bank of Commerce	5,602,898	5,465,500
150,000	Inter Pipeline Ltd.	3,276,722	3,487,500
600,000	AGF Management Ltd. Class B	3,423,826	3,720,000
100,000	Power Financial Corp.	2,896,887	3,072,000
20,000	Canadian Natural Resources Ltd.	841,429	705,000
200,000	KKR & Co. Inc. Class A	6,604,717	7,109,880
600,000	Whitecap Resources Inc.	2,542,578	2,760,000
150,000	Micron Technology Inc.	8,752,361	8,510,010
		118,046,646	188,105,469
	Private debt investments		
2,500,000	Highview Financial Holdings Inc. (v)	2,500,000	2,500,000
4,188,770	Radar Capital Inc. (vi)	4,188,770	4,188,770
		6,688,770	6,688,770
		172,603,110	269,866,769

(i) Radar Capital Inc. ("RCI") owns 28.12% of the common shares of Highview Financial Holdings Inc.

(ii) Urbana owns 23.42% of Caldwell Growth Opportunities Trust, which owns 2.04% of the investor shares of Caldwell India Holdings Inc. ("CIHI") and 5.50% of the Class B common shares of RCI.

(iii) Urbana owns 97.96% of the investor shares of CIHI, which holds 672,832 equity shares of the Bombay Stock Exchange (the "BSE"). Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the voting ordinary shares of CIHI. The fair value of these voting ordinary shares is nominal.

(iv) Urbana Mauritius Inc., a wholly-owned subsidiary of Urbana, holds 343,238 equity shares of the BSE.

(v) Unsecured convertible promissory note maturing on June 30, 2023 with interest at 8% per annum payable quarterly. This promissory note represents the first advance under a \$3 million revolving line of credit and is convertible (in whole or in part) into common shares on the maturity date at \$1.07 per common share.

(vi) Unsecured promissory note maturing on July 31, 2024 with interest compounding annually at the TD Canada Trust prime rate less 1% per annum payable on the maturity date.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. No mining expenditures were incurred in the first nine months of 2019 (2018 - \$87,291). These expenditures have been recorded as a loss in computing net realized gain on sale and disposal of investments.

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

Urbana Corporation (“Urbana” or the “Company”) is an investment company that is not considered an investment fund for securities law purposes but is treated as an investment entity for accounting purposes.

The Company’s common shares (“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 business objectives and strategies of Urbana are 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 condensed interim 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. They are presented in compliance with International Accounting Standard 34 “*Interim Financial Reporting*”.

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 the Company’s business model for managing its financial instruments, and whether or not the business of the Company is to manage the financial assets with the objective of realizing cash flows through the sale of the assets for the purpose of classifying certain financial instruments at fair value through profit or loss (“FVTPL”).

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.

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 periods ended September 30, 2019 and September 30, 2018

1. Summary of significant accounting policies (continued)

Judgments and estimates (continued)

Valuation of investments (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 Minneapolis Grain Exchange is valued based on the current price of a seat, as quoted by the exchange.

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 condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

1. Summary of significant accounting policies (continued)

Comprehensive Income (Loss). 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. The Company measures the expected credit loss ("ECL") allowance on accounts and other receivables at an amount equal to the 12 month expected credit losses. Given the short-term nature of accounts and other receivables and the high credit quality, the Company has determined that the ECL allowance is not material.

Investments have been classified at FVTPL with gains and losses recorded in net income. Cash, accounts and other receivables are measured at amortized cost. Loan payable and accounts payable and accrued liabilities are measured 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 (Loss). Transaction costs are incremental costs that are directly attributable to the acquisition 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 (loss) per share

Basic earnings (loss) per share is computed by dividing the total profit (loss) 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 (loss) 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 condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

1. Summary of significant accounting policies (continued)

Interests in Other Entities

The table below presents the unconsolidated subsidiaries of the Company as at September 30, 2019:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	Mauritius	97.96%	100%
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd. ⁽¹⁾	Toronto	100%	100%
Radar Capital Inc.	Toronto	65.51%	65.51%
Highview Financial Holdings Inc.	Oakville	65.29%	65.29%

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2018:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	Mauritius	64.57%	100%
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd. ⁽¹⁾	Toronto	100%	100%

⁽¹⁾ Urbana Special Investment Holdings Ltd., a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of OneChicago LLC., which was written-off as at December 31, 2018.

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, 2019:

	September 30, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	173,234,952	14,870,517	-	188,105,469
Private equity investments	-	9,731,400	65,341,130	75,072,530
Private debt investments	-	-	6,688,770	6,688,770
	173,234,952	24,601,917	72,029,900	269,866,769

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – September 30, 2019

Description	Fair value (\$) ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Public equity investments				
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	9,817,372	Market transaction	Recent transaction price	N/A
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	5,053,145	Market transaction	Recent transaction price	N/A
Private equity investments				
Caldwell Financial Ltd.	1,680,000	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
Minneapolis Grain Exchange (seats)	9,731,400	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	26,521,756	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	794,387	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	9,710,845	EV as a % of AUM ⁽³⁾	EV as a % of AUM	1.0%-4.0%
Four Lakes Capital Fund Limited Partnership	4,741,783	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc. Class A	50	N/A	N/A	N/A
Radar Capital Inc. Class B	13,906,717	Net asset value per share	Net asset value per share	N/A
Evolve Funds Group Inc. Class A	3,594,009	Market transaction	Recent transaction price	N/A
Evolve Funds Group Inc. Class B	1,200,000	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class A	314,132	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class B	45,567	Market transaction	Recent transaction price	N/A
Kognitiv Corporation	2,831,884	Market transaction	Recent transaction price	N/A
Private debt investments				
Highview Financial Holdings Inc.	2,500,000	Face value	N/A	N/A

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

2. Fair value measurement (continued)

Radar Capital Inc.	4,188,770	Face value	N/A	N/A
Ending balance	96,631,817			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is applicable, an input or range has been provided

⁽³⁾ Enterprise value of assets under management

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2018:

	December 31, 2018			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	112,152,324	15,383,647	-	127,535,971
Private equity investments	-	9,178,176	62,413,962	71,592,138
	112,152,324	24,561,823	62,413,962	199,128,109

Level 2 and 3 valuation methods – December 31, 2018

Description	Fair value (\$) ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Public equity investments				
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	10,095,345	Market transaction	Recent transaction price	N/A
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	5,288,302	Market transaction	Recent transaction price	N/A
Private equity investments				
Caldwell Financial Ltd.	2,376,000	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
Minneapolis Grain Exchange (seats)	9,178,176	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	26,521,756	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	3,475,316	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	8,620,852	EV as a % of AUM ⁽³⁾	EV as a % of AUM	1.0%-4.0%

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

2. Fair value measurement (continued)

Four Lakes Capital Fund Limited Partnership	3,009,907	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc. Class A	50	N/A	N/A	N/A
Radar Capital Inc. Class B	11,557,561	Market transaction	Recent transaction price	N/A
Radar Capital Inc. Preferred	3,852,520	Market transaction	Recent transaction price	N/A
Evolve Funds Group Inc. Class A	3,000,000	Market transaction	Recent transaction price	N/A
Ending balance	86,975,785			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is applicable, an input or range has been provided

⁽³⁾ Enterprise value of assets under management

Change in valuation methodology

During 2019, the Company changed the primary valuation technique for the Class B common shares of Radar Capital Inc. (“RCI”) from a methodology based on a recent market transaction to a methodology based on net asset value. This change was made to better reflect the fair value of this holding since RCI did not complete a going-public transaction by July 31, 2019.

During 2018, the Company changed the primary valuation technique for Caldwell India Holdings Inc. (“CIHI”) and Urbana Mauritius Inc. (“UMI”) from a methodology based on a recent market transaction, discounted due to a hold period, to a methodology based on a recent market transaction. This change was made since the shares of Bombay Stock Exchange (“BSE”), which are the primary investment of CIHI and UMI, became freely tradeable in February 2018.

During the second and third quarters of 2018, the Company changed the primary valuation technique for CNSX Markets Inc. (“CNSX”) from a methodology based on a recent market transaction to a methodology based on average EV/EBITDA multiples because recent earnings of CNSX, the operator of the Canadian Securities Exchange (the “CSE”), had increased substantially as a result of a significant increase in trading volume on the CSE. However, at the 2018 year end, the Company based its valuation on a recent market transaction that occurred during the fourth quarter of 2018, which is a better indicator of fair value.

In addition in 2018, the Company changed the primary valuation technique for Highview Financial Holdings Inc. (“HFHI”) from a methodology based on multiples of both AUM and AUA to a methodology based on multiples of AUM alone. This change was made to better align with HFHI’s strategic shift to focus on the AUM side of its business.

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

2. Fair value measurement (continued)

During the nine month period ended September 30, 2019 and the year ended December 31, 2018 the reconciliations of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

September 30, 2019			
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	62,413,962	-	62,413,962
Change in unrealized gain	4,503,206	-	4,503,206
Purchases	5,309,295	6,688,770	11,998,065
Sales	(6,885,333)	-	(6,885,333)
Ending balance	65,341,130	6,688,770	72,029,900

December 31, 2018			
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	47,120,263	1,063,000	48,183,263
Change in unrealized gain	5,136,680	1,237,000	6,373,680
Purchases	20,410,079	-	20,410,079
Sales	(10,253,060)	(2,300,000)	(12,553,060)
Ending balance	62,413,962	-	62,413,962

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, 2019 and December 31, 2018 is shown below:

Level 3 valuation methods – September 30, 2019

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	168,000
	Recent transaction price	10%	3,450,735
	Net asset value	10%	1,944,294
	EV as a % of assets under management	1%	3,765,429
	Face value	10%	668,877
Total			9,997,335

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

2. Fair value measurement (continued)

Level 3 valuation methods - December 31, 2018

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	237,600
	Recent transaction price	10%	4,493,184
	Net asset value	10%	648,527
	EV as a % of assets under management	1%	3,531,039
Total			8,910,350

⁽¹⁾ 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 2019 and 2018, 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 September 30, 2019, the Company held approximately \$6.7 million (December 31, 2018 - \$Nil) 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. The Company measures credit risk and lifetime ECLs related to accounts and other receivables using historical analysis and forward looking information in determining the ECLs.

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

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for the nine month periods ended September 30, 2019 and September 30, 2018

3. Financial instruments and risk management (continued)

Liquidity risk (continued)

	September 30, 2019		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	16,400,000	-	16,400,000
Accounts payable and accrued liabilities	-	1,319,282	1,319,282
	16,400,000	1,319,282	17,719,282

	December 31, 2018		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	-	-	-
Accounts payable and accrued liabilities	-	1,090,068	1,090,068
	-	1,090,068	1,090,068

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 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 September 30, 2019 and December 31, 2018:

Currency	September 30, 2019	December 31, 2018
	As a % of net assets	As a % of net assets
	%	%
United States Dollar	44.31	38.07
Indian Rupee	6.18	7.42
	50.49	45.49

As at September 30, 2019, the Company's net assets would have decreased or increased by approximately \$6,077,086 (December 31, 2018 - \$4,717,521) 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 condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

3. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises on interest-bearing financial assets such as cash and promissory notes held and on financial liabilities 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. The Company's interest income and expense are positively correlated to interest rates in that rising interest rates increase both the interest income and expense while the reverse is true in a declining interest rate environment.

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

As at September 30, 2019	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Cash	211,819	-	-	-	211,819
Financial asset – promissory notes	-	-	6,688,770	-	6,688,770
Loan payable	(16,400,000)	-	-	-	(16,400,000)
	(16,188,181)	-	6,688,770	-	(9,499,411)

As at December 31, 2018	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Cash	17,164,349	-	-	-	17,164,349
Financial asset – promissory notes	-	-	-	-	-
Loan payable	-	-	-	-	-
	17,164,349	-	-	-	17,164,349

As at September 30, 2019, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the net assets would have increased or decreased by approximately \$19,861 (2018 - \$49,796 decrease or increase). 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 September 30, 2019, 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 \$18,810,547 (December 31, 2018 - \$ 12,753,597) or approximately 7.81% (December 31, 2018 – 6.15%) 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 condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

4. Accounts and other receivables

Accounts and other receivables consist of the following:

	September 30, 2019	December 31, 2018
	\$	\$
Dividends	190,751	109,475
Interest	49,315	-
	240,066	109,475

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	September 30, 2019	December 31, 2018
	\$	\$
Investment management fees (Note 9)	1,088,800	910,068
Professional fees	132,405	141,350
Directors' fees	32,016	-
Loan interest	66,061	-
Administrative fees	-	33,650
Other	-	5,000
	1,319,282	1,090,068

6. Loan payable

On February 15, 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 September 30, 2019, the outstanding balance of the loan was \$16,400,000 (December 31, 2018 - \$Nil) which is the fair value of the loan. During the nine month period ended September 30, 2019, the minimum amount borrowed was \$Nil (2018 - \$Nil) and the maximum amount borrowed was \$16,400,000 (2018 - \$16,000,000). As at September 30, 2019 and December 31, 2018, 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 (2,852.7 acres). A report which summarizes both the exploration work and results to date has been completed 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 \$1,146,119 of which \$Nil relates to 2019 (2018 - \$87,291). 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 condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

8. Share Capital

As at September 30, 2019 and December 31, 2018 share capital consists of the following:

	Nine month period ended September 30, 2019		Year ended December 31, 2018	
	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 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 - Class A Shares</i>				
Balance, beginning of period	40,000,000	115,637,441	40,000,000	115,637,441
Normal Course Issuer Bid Repurchases	(145,700)	(421,209)	-	-
Balance, end of period	39,854,300	115,216,232	40,000,000	115,637,441
Total	49,854,300	123,215,125	50,000,000	123,636,334

The Common Shares and Class A 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 29, 2019, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 3,963,322 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 September 4, 2019, and will terminate on the earlier of September 3, 2020, 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 3,786 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 15,145 Class A Shares, calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 3,786 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at September 30, 2019, Urbana has purchased 104,000 Class A Shares pursuant to the NCIB and purchased 41,700 Class A Shares pursuant to the previous normal course issuer bid.

9. Related party disclosures

Caldwell Financial Ltd. ("CFL"), a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. ("CIM"), the investment manager of Urbana, and of Caldwell Securities Ltd. ("CSL"). Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana. As at September 30, 2019 and December 31, 2018, Urbana had a 20% ownership interest in CFL.

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

9. Related party disclosures (continued)

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, 2019, the total commission fees paid to CSL by Urbana amounted to \$135,354 (2018 - \$175,539) which was included in transaction costs.

On July 19, 2019, the Ontario Securities Commission (the "OSC") approved a Settlement Agreement with CIM to resolve a publicly disclosed enforcement which has been published by the OSC. Before the commencement of the proceeding CIM upgraded some of its policies and also agreed as part of the settlement to testing and validation of its procedures by an outside consultant. Urbana has reflected the impact of this settlement in its valuation of CFL, the parent company of CIM.

In the nine month period ended September 30, 2019, Urbana paid CSL \$268,714 (2018 - \$305,100) for administrative services, including investor relations, information technology, professional corporate office, and office and conference room access for Urbana's staff, directors and officers. Prior to March 1, 2019, the fee did not cover information technology and professional corporate office services and did cover accounting services, including the services of an individual to perform the functions of Urbana's chief financial officer. Effective March 1, 2019, Urbana's chief financial officer is an employee of Urbana and CSL no longer provides chief financial officer services to Urbana. This expense was included in administrative expenses.

As at September 30, 2019 Urbana owned 50% of the voting class A common shares and 68.49% of the voting class B common shares of Radar Capital Inc. ("RCI"), a private capital company. Effective August 1, 2019, pursuant to RCI's Shareholders' Agreement, the previously held non-voting preferred shares of RCI were redeemed for a \$4,188,770 unsecured promissory note and the non-voting class B common shares became voting class B common shares. As a result, Urbana owns a total of 65.51% of the voting common shares of RCI with each class A and class B common share entitled to one vote. As at December 31, 2018, Urbana owned 50% of the voting class A common shares, 68.49% of the non-voting class B common shares, and 68.49% of the non-voting preferred shares of RCI. These holdings resulted from a capital restructuring of RCI in January 2018 when Urbana's investments in units of Radar Capital Fund 1 Limited Partnership and units of Radar Capital Fund II Series F Limited Partnership, both of which were managed by RCI, and its debt holdings of RCI were converted into preferred shares and class B common shares of RCI. In addition, the common shares of RCI previously held by Urbana were re-designated as class A common shares and split at the ratio of 1 to 47,000.

As at September 30, 2019 Urbana had a 23.42% ownership interest (December 31, 2018 – 49.71%) in Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

As at September 30, 2019 Urbana owned 49.29% (December 31, 2018 – 49.36%) of the common shares of CNSX, the operator of the CSE.

As at September 30, 2019 and December 31, 2018, Urbana had a 46.87% direct ownership interest in Highview Financial Holdings Inc. ("HFHI") and RCI had a 28.12% ownership interest in HFHI. As at September 30, 2019 Urbana held a \$2,500,000 (December 31, 2018 - \$Nil) promissory note from HFHI.

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 10, 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 the nine month period ended September 30, 2019, CIM earned \$2,921,218 of investment management fees from Urbana (2018 - \$3,163,694). The investment management fees are accrued daily and paid quarterly in arrears. As at September 30, 2019 there was an investment management fee payable included in accounts payable and accrued liabilities of \$1,088,800 to CIM (December 31, 2018 – \$910,068).

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

9. Related party disclosures (continued)

In a series of transactions in May and June 2019, Urbana purchased the following portfolio holdings (the "Purchased Securities") from Caldwell ICM Market Strategy Trust, a related party, at fair value, for an aggregate cost of \$4,975,258:

- Radar Capital Inc. (units)
- Vive Crop Protection Inc. (preferred A shares, preferred B shares and warrants)
- Kognitiv Corporation (common shares)
- Minneapolis Grain Exchange ("MGEX") (seats)

The purchase prices of the Purchased Securities, excluding MGEX, were based on independent third party valuations and the purchase price of the MGEX seats was based on the price of a seat as quoted by the exchange on which the MGEX seats trade. The acquisitions by Urbana of the Purchased Securities were done with regulatory approval and the unanimous approval of the Board of Directors.

All related party transactions are recorded at their exchange amounts.

10. Income taxes

The Company's provision for (recovery of) income taxes for the nine month periods ended September 30, 2019 and 2018 is summarized as follows:

	2019	2018
	\$	\$
Net income (loss) before income taxes	41,358,605	(26,444,828)
Expected taxes payable (recoverable) at future rates - 26.5%	10,960,030	(7,007,879)
Income tax effect of the following:		
Non-taxable portion of realized capital gains	(505,380)	(1,988,230)
Non-taxable portion of unrealized capital (gains) losses	(5,228,530)	5,107,771
Non-taxable dividends	(262,881)	(114,798)
Foreign withholding tax expense, net of Canadian tax	151,891	174,318
Adjustment to prior year's tax balance	(773,267)	504,630
Other	(147,208)	238,356
Income tax expense (recovery)	4,194,655	(3,085,832)

The income tax expense (recovery) is represented as follows:

Provision for (recovery of) deferred income taxes	3,988,000	(3,323,000)
Foreign withholding tax expense	206,655	237,168
Income tax expense (recovery)	4,194,655	(3,085,832)

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

	September 30, 2019	December 31, 2018
	\$	\$
Resource deductions available in perpetuity	(76,106)	(77,260)
Unrealized capital gains on investments	12,957,316	8,005,862
Non-capital loss carryforwards	(1,009,908)	(45,488)
Other	(302)	(14)
Total deferred income tax liability	11,871,000	7,883,000

Urbana Corporation

Notes to the condensed interim financial statements

for the nine month periods ended September 30, 2019 and September 30, 2018

10. Income taxes (continued)

At September 30, 2019, the Company had non-capital losses of \$3,810,972 (December 31, 2018 - \$3,125,883) available for carryforward for tax purposes. The expiry dates of these losses are as follows:

<u>Expiry Date</u>	<u>Amount</u>
	\$
December 31, 2031	1,262,698
December 31, 2032	130,689
December 31, 2033	303,848
December 31, 2034	237,799
December 31, 2035	71,083
December 31, 2036	3,478
December 31, 2037	131,602
December 31, 2038	984,686
December 31, 2039	685,089
	<u>3,810,972</u>

11. Dividends

On January 31, 2019 the Company paid a regular cash dividend of \$0.07 per share on the issued and outstanding Common and Class A Shares as at January 17, 2019 amounting to \$3,500,015. 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. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on November 12, 2019.