

Audited Financial Statements of

**Urbana Corporation**

December 31, 2019 and December 31, 2018

# Urbana Corporation

December 31, 2019 and December 31, 2018

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## Independent Auditor's Report

To the Shareholders and the Board of Directors of  
Urbana Corporation

### Opinion

We have audited the financial statements of Urbana Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Darroch.

*Deloitte LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
March 11, 2020

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# Urbana Corporation

Statements of financial position  
as at December 31, 2019 and December 31, 2018

(In Canadian dollars)

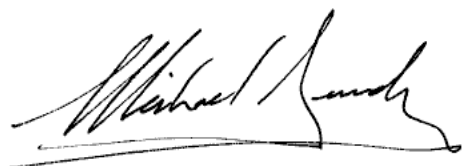
	December 31, 2019	December 31, 2018
	\$	\$
<b>Assets</b>		
Cash	875,089	17,164,349
Investments, at fair value (Notes 2 and 3)	289,589,860	199,128,109
Accounts and other receivables (Note 4)	240,512	109,475
	<b>290,705,461</b>	<b>216,401,933</b>
<b>Liabilities</b>		
Loan payable (Note 6)	21,900,000	-
Accounts payable and accrued liabilities (Note 5)	1,619,968	1,090,068
Deferred income tax liability (Note 10)	13,660,000	7,883,000
	<b>37,179,968</b>	<b>8,973,068</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	122,374,730	123,636,334
Contributed surplus	66,715,564	66,602,286
Retained earnings	64,435,199	17,190,245
Shareholders' equity representing net assets	<b>253,525,493</b>	<b>207,428,865</b>
Total liabilities and shareholders' equity	<b>290,705,461</b>	<b>216,401,933</b>
<b>Number of shares outstanding (Note 8)</b>	<b>49,563,600</b>	<b>50,000,000</b>

See accompanying notes

Approved by the Board



Director



Director

# Urbana Corporation

## Statements of comprehensive income (loss)

for the years ended December 31, 2019 and December 31, 2018

(In Canadian dollars)

	2019	2018
	\$	\$
<b>Revenue</b>		
Net realized gain on sale and disposal of investments	3,888,210	17,219,861
Net change in unrealized gain (loss) on investments	55,921,671	(58,468,866)
Dividends	3,078,539	2,491,079
Interest revenue	148,401	493,117
	<b>63,036,821</b>	<b>(38,264,809)</b>
<b>Expenses</b>		
Investment management fees (Note 9)	4,105,790	4,073,763
Interest	382,435	298,400
Administrative (Note 9)	1,239,619	1,199,637
Transaction costs (Note 9)	179,281	260,056
Professional fees	329,601	300,590
	<b>6,236,726</b>	<b>6,132,446</b>
Net income (loss) before income taxes	<b>56,800,095</b>	<b>(44,397,255)</b>
Foreign withholding tax expense (Note 10)	278,126	303,895
Provision for (recovery of) deferred income taxes (Note 10)	5,777,000	(5,845,000)
Income tax expense (recovery)	<b>6,055,126</b>	<b>(5,541,105)</b>
<b>Total profit (loss) and comprehensive income (loss) for the year</b>	<b>50,744,969</b>	<b>(38,856,150)</b>
<b>Basic and diluted earnings (loss) per share</b>	<b>1.02</b>	<b>(0.78)</b>
<b>Weighted average number of shares outstanding</b>	<b>49,900,315</b>	<b>50,000,000</b>

See accompanying notes



# Urbana Corporation

## Statements of changes in equity for the years ended December 31, 2019 and December 31, 2018

(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 year	-	-	(38,856,150)	(38,856,150)
Dividends paid	-	-	(5,000,021)	(5,000,021)
<b>Balance at December 31, 2018</b>	<b>123,636,334</b>	<b>66,602,286</b>	<b>17,190,245</b>	<b>207,428,865</b>
<b>Balance at January 1, 2019</b>	<b>123,636,334</b>	<b>66,602,286</b>	<b>17,190,245</b>	<b>207,428,865</b>
<b>Total profit and comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>50,744,969</b>	<b>50,744,969</b>
<b>Dividends paid</b>	<b>-</b>	<b>-</b>	<b>(3,500,015)</b>	<b>(3,500,015)</b>
<b>Normal course issuer bid repurchases</b>	<b>(1,261,604)</b>	<b>113,278</b>	<b>-</b>	<b>(1,148,326)</b>
<b>Balance at December 31, 2019</b>	<b>122,374,730</b>	<b>66,715,564</b>	<b>64,435,199</b>	<b>253,525,493</b>

See accompanying notes

# Urbana Corporation

## Statements of cash flows

for the years ended December 31, 2019 and December 31, 2018

(In Canadian dollars)

	2019	2018
	\$	\$
<b>Operating activities</b>		
Total profit (loss) and comprehensive income (loss) for the year	50,744,969	(38,856,150)
Items not affecting cash		
Net realized gain on sale and disposal of investments	(3,888,210)	(17,314,575)
Net change in unrealized (gain) loss on investments	(55,921,671)	58,468,866
Provision for (recovery of) deferred income taxes	5,777,000	(5,845,000)
Purchases of investments	(57,408,166)	(56,210,487)
Proceeds on sale of investments	26,756,296	82,225,639
	(33,939,782)	22,468,293
Net change in non-cash working capital items		
Accounts and other receivables	(131,037)	(46,957)
Accounts payable and accrued liabilities	529,900	(217,826)
	398,863	(264,783)
Cash provided by (used in) operating activities	(33,540,919)	22,203,510
<b>Financing activities</b>		
Issuance of loan payable	27,500,000	32,400,000
Repayment of loan payable	(5,600,000)	(32,900,000)
Dividends paid	(3,500,015)	(5,000,021)
Normal course issuer bid repurchases	(1,148,326)	-
Cash provided by (used in) financing activities	17,251,659	(5,500,021)
Net change in cash during the year	(16,289,260)	16,703,489
Cash, beginning of year	17,164,349	460,860
<b>Cash, end of year</b>	<b>875,089</b>	<b>17,164,349</b>
<b>Supplemental disclosure</b>		
Dividends received	3,038,539	2,403,642
Interest received	57,365	536,597
Interest paid	382,435	298,400

See accompanying notes

# Urbana Corporation

## Schedule of investment portfolio

as at December 31, 2019

(In Canadian dollars)

Number of securities	Description	Cost	Fair value
	<b>Private equity investments</b>	\$	\$
13,260,878	CNSX Markets Inc. (Note 9)	7,248,349	26,521,756
35	Minneapolis Grain Exchange (seats)	8,151,851	9,531,113
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	1,784,000
2,350,000	Radar Capital Inc. Class A Common (i) (Note 9)	50	141,000
16,755,081	Radar Capital Inc. Class B Common (i) (Note 9)	12,566,311	13,571,616
3,000,000	Evolve Funds Group Inc. Class A Preferred	3,000,000	3,594,009
1,544,236	Evolve Funds Group Inc. Class B Preferred	1,850,000	1,850,000
9,909,025	Highview Financial Holdings Inc. (Note 9)	5,406,753	10,008,115
4,538,460	Four Lakes Capital Fund Limited Partnership	4,999,998	4,728,168
84,012	Caldwell Growth Opportunities Trust (ii) (Note 9)	703,437	836,594
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	2,773,599
		<b>48,517,694</b>	<b>75,699,669</b>
	<b>Public equity investments</b>		
672,832	Caldwell India Holdings Inc. (iii)	14,655,481	7,512,705
343,238	Urbana Mauritius Inc. (iv)	6,346,517	3,894,571
110,000	Cboe Global Markets, Inc.	3,637,004	17,117,100
115,000	Intercontinental Exchange Group Inc.	4,776,923	13,801,634
160,000	Citigroup Inc.	7,487,889	16,575,577
450,000	Bank of America Corp.	6,277,355	20,552,191
300,000	Suncor Energy	12,025,030	12,768,000
400,000	Teck Resources Ltd. Class B	4,552,271	9,008,000
275,000	Morgan Stanley	7,626,878	18,229,712
3,000,000	Real Matters Inc.	11,652,500	36,960,000
500,000	Detour Gold Corp.	7,253,195	12,570,000
50,000	Canadian Imperial Bank of Commerce	5,602,898	5,403,000
150,000	Inter Pipeline Ltd.	3,276,722	3,381,000
700,000	AGF Management Ltd. Class B	4,044,556	4,508,000
20,000	Canadian Natural Resources Ltd.	841,429	840,000
250,000	KKR & Co. Inc. Class A	8,541,467	9,456,549
750,000	Whitecap Resources Inc.	3,307,790	4,162,500
150,000	Micron Technology, Inc.	8,752,361	10,460,882
		<b>120,658,267</b>	<b>207,201,421</b>
	<b>Private debt investments</b>		
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
		<b>6,688,770</b>	<b>6,688,770</b>
		<b>175,864,731</b>	<b>289,589,860</b>

(i) Urbana owns 65.51% of Radar Capital Inc. ("RCI"), which owns 27.13% of the common shares of Highview Financial Holdings Inc.

(ii) Urbana owns 23.42% of Caldwell Growth Opportunities Trust, which owns 5.50% of the Class B common shares of RCI.

(iii) Caldwell India Holdings Inc. ("CIHI"), a wholly-owned subsidiary of Urbana, 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 2019 (2018 - \$94,714). These prior year expenditures have been recorded as a loss in computing net realized gain on sale and disposal of investments in 2018.

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

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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 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 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 financial statements

for the years ended December 31, 2019 and December 31, 2018

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### 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 financial statements

for the years ended December 31, 2019 and December 31, 2018

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### 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 financial statements

for the years ended December 31, 2019 and December 31, 2018

### 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, 2019:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc. – holds Bombay Stock Exchange shares	Mauritius	100%	100%
Urbana Mauritius Inc. – holds Bombay Stock Exchange shares	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd. <sup>(1)</sup>	Toronto	100%	100%
Radar Capital Inc.	Toronto	65.51%	65.51%
Highview Financial Holdings Inc.	Oakville	65.21%	65.21%

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. – holds Bombay Stock Exchange shares	Mauritius	64.57%	100%
Urbana Mauritius Inc. – holds Bombay Stock Exchange shares	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd. <sup>(1)</sup>	Toronto	100%	100%

<sup>(1)</sup> Urbana Special Investment Holdings Ltd., a wholly-owned subsidiary of Urbana, has no assets or liabilities other than an investment in 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 December 31, 2019:

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	195,794,145	11,407,276	-	207,201,421
Private equity investments	-	9,531,113	66,168,556	75,699,669
Private debt investments	-	-	6,688,770	6,688,770
	<b>195,794,145</b>	<b>20,938,389</b>	<b>72,857,326</b>	<b>289,589,860</b>

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

### 2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2019

Description	Fair value (\$) <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Public equity investments</b>				
Caldwell India Holdings Inc. – holds Bombay Stock Exchange shares	<b>7,512,705</b>	Market transaction	Recent transaction price	N/A
Urbana Mauritius Inc. – holds Bombay Stock Exchange shares	<b>3,894,571</b>	Market transaction	Recent transaction price	N/A
<b>Private equity investments</b>				
Caldwell Financial Ltd.	<b>1,784,000</b>	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
Minneapolis Grain Exchange (seats)	<b>9,531,113</b>	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	<b>26,521,756</b>	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	<b>836,594</b>	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	<b>10,008,115</b>	EV as a % of AUM <sup>(3)</sup>	EV as a % of AUM	1.0%-4.0%
Four Lakes Capital Fund Limited Partnership	<b>4,728,168</b>	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc. Class A	<b>141,000</b>	Net asset value per share	Net asset value per share	N/A
Radar Capital Inc. Class B	<b>13,571,616</b>	Net asset value per share	Net asset value per share	N/A
Evolve Funds Group Inc. Class A	<b>3,594,009</b>	Market transaction	Recent transaction price	N/A
Evolve Funds Group Inc. Class B	<b>1,850,000</b>	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class A	<b>314,132</b>	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class B	<b>45,567</b>	Market transaction	Recent transaction price	N/A
Kognitiv Corporation	<b>2,773,599</b>	Market transaction	Recent transaction price	N/A
<b>Private debt investments</b>				
Highview Financial Holdings Inc.	<b>2,500,000</b>	Face value	N/A	N/A



# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

### 2. Fair value measurement (continued)

Radar Capital Inc.	4,188,770	Face value	N/A	N/A
<b>Ending balance</b>	<b>93,795,715</b>			

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

<sup>(2)</sup>Where it is applicable, an input or range has been provided

<sup>(3)</sup>Enterprise value as a percentage 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 (\$) <sup>(1)</sup>	Primary Valuation technique used	Significant unobservable inputs	Input/Range <sup>(2)</sup>
<b>Public equity investments</b>				
Caldwell India Holdings Inc. – holds Bombay Stock Exchange shares	10,095,345	Market transaction	Recent transaction price	N/A
Urbana Mauritius Inc. – holds Bombay Stock Exchange shares	5,288,302	Market transaction	Recent transaction price	N/A
<b>Private equity investments</b>				
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 <sup>(3)</sup>	EV as a % of AUM	1.0%-4.0%

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 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			

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

<sup>(2)</sup> Where it is applicable, an input or range has been provided

<sup>(3)</sup> Enterprise value as a percentage 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. In addition, the Class A common shares are valued based on net asset value as well, whereas previously, they had a nominal value. These changes were made to better reflect the fair value of these holdings 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 assets under administration 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 financial statements

for the years ended December 31, 2019 and December 31, 2018

### 2. Fair value measurement (continued)

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

December 31, 2019			
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	62,413,962	-	62,413,962
Change in unrealized gain	4,680,632	-	4,680,632
Purchases	5,959,295	6,688,770	12,648,065
Sales	(6,885,333)	-	(6,885,333)
Ending balance	66,168,556	6,688,770	72,857,326

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 December 31, 2019 and 2018 are shown below:

Level 3 valuation methods – December 31, 2019

Description	Input	Sensitivity used <sup>(1)</sup>	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	178,400
	Recent transaction price	10%	3,509,906
	Net asset value	10%	1,927,738
	EV as a % of assets under management	1%	4,062,700
	Face value	10%	668,877
Total			10,347,621

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

### 2. Fair value measurement (continued)

Level 3 valuation methods - December 31, 2018

Description	Input	Sensitivity used <sup>(1)</sup>	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 December 31, 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

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

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

#### Liquidity risk (continued)

	December 31, 2019		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	21,900,000	-	21,900,000
Accounts payable and accrued liabilities	-	1,619,968	1,619,968
	<b>21,900,000</b>	<b>1,619,968</b>	<b>23,519,968</b>

	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 December 31, 2019 and 2018:

Currency	December 31, 2019	December 31, 2018
	As a % of net assets	As a % of net assets
	%	%
United States Dollar	46.77	38.07
Indian Rupee	4.50	7.42
	<b>51.27</b>	<b>45.49</b>

As at December 31, 2019, the Company's net assets would have decreased or increased by approximately \$6,498,730 (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 financial statements

for the years ended December 31, 2019 and December 31, 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.

<b>As at December 31, 2019</b>	<b>Less than 1 year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Cash	\$ 875,089	\$ -	\$ -	\$ -	\$ 875,089
Financial asset – promissory notes	-	-	6,688,770	-	6,688,770
Loan payable	(21,900,000)	-	-	-	(21,900,000)
	<b>(21,024,911)</b>	<b>-</b>	<b>6,688,770</b>	<b>-</b>	<b>(14,336,141)</b>

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

As at December 31, 2019, 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 \$10,139 (2018 - \$21,095). 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, 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 \$20,720,142 (2018 - \$ 12,753,597) or approximately 8.17% (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 financial statements

for the years ended December 31, 2019 and December 31, 2018

### 4. Accounts and other receivables

Accounts and other receivables consist of the following:

	December 31, 2019	December 31, 2018
	\$	\$
Dividends	149,476	109,475
Interest	91,036	-
	240,512	109,475

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2019	December 31, 2018
	\$	\$
Investment management fees (Note 9)	1,184,572	910,068
Professional fees	277,679	141,350
Loan interest	92,517	-
Administrative fees	49,700	33,650
Other	15,500	5,000
	1,619,968	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 December 31, 2019, the outstanding balance of the loan was \$21,900,000 (2018 - \$Nil) which is the fair value of the loan. During the year ended December 31, 2019, the minimum amount borrowed was \$Nil (2018 - \$Nil) and the maximum amount borrowed was \$21,900,000 (2018 - \$16,000,000). As at December 31, 2019 and 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 was incurred in 2019 (2018 - \$94,714). 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, 2019 and December 31, 2018

### 8. Share Capital

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

	Year ended December 31, 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 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	40,000,000	115,637,441	40,000,000	115,637,441
Normal Course Issuer Bid Repurchases	(436,400)	(1,261,604)	-	-
Balance, end of year	39,563,600	114,375,837	40,000,000	115,637,441
<b>Total</b>	<b>49,563,600</b>	<b>122,374,730</b>	<b>50,000,000</b>	<b>123,636,334</b>

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 December 31, 2019, Urbana has purchased 391,000 Class A Shares at an average price of \$2.66 per share pursuant to the NCIB and purchased 45,400 Class A Shares at an average price of \$2.39 per share 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 December 31, 2019 and 2018, Urbana had a 20% ownership interest in CFL.



# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

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### 9. Related party disclosures (continued)

CSL, a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. In 2019, the total commission fees paid to CSL by Urbana amounted to \$179,281 (2018 - \$260,056) which was included in transaction costs.

On July 19, 2019, the Ontario Securities Commission approved and published a settlement agreement with CIM to resolve a publicly disclosed enforcement proceeding. 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 2019, Urbana paid CSL \$354,820 (2018 - \$406,800) for administrative services, including investor relations, information technology, professional corporate office, and office and conference room access for Urbana's staff, directors and officers. This expense was included in administrative expenses. Prior to March 1, 2019, the fee did not cover information technology and professional corporate office services and did cover accounting services, including chief financial officer services. Effective March 1, 2019, Urbana's chief financial officer became an employee of Urbana and CSL no longer provides chief financial officer services to Urbana.

As at December 31, 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, 63% of the non-voting class B common shares and 63% 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 December 31, 2019 Urbana had a 23.42% ownership interest (2018 – 49.71%) in Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

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

As at December 31, 2019 Urbana had a 47.44% (2018 – 46.87%) direct ownership interest in Highview Financial Holdings Inc. ("HFHI") and RCI had a 27.13% (2018 – 28.12%) ownership interest in HFHI. As at December 31, 2019 Urbana held a \$2,500,000 (2018 - \$Nil) promissory note from HFHI.

Investment management fees were charged by CIM 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 such agreement, in 2019 CIM was entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. In 2019, CIM earned \$4,105,790 of investment management fees from Urbana (2018 - \$4,073,763). The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2019 there was an investment management fee payable included in accounts payable and accrued liabilities of \$1,184,572 to CIM (2018 – \$910,068).

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

### 9. Related party disclosures (continued)

On December 6, 2019 Urbana entered into an updated investment management and advisory agreement with CIM, effective as of January 1, 2020. Pursuant to this agreement, CIM is entitled to an investment management fee equal to 2.0% per annum of the market value of Urbana's investment portfolio, and, with the exception of NCIB purchases, CIM will pay a fee to CSL to cover all charges for brokerage, trade execution and other necessary investment-related services rendered directly or indirectly for the benefit of Urbana by CSL. The updated investment management and advisory agreement with CIM was unanimously approved by the Board of Directors, on the recommendation of the independent directors of the Company, which was based on, among other factors, advice from an independent financial advisory firm.

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.

In 2019, the remuneration of key management personnel, which included salaries and short-term benefits, was \$372,406 (2018 - \$233,695).

All related party transactions are recorded at their exchange amounts.

### 10. Income taxes

The Company's provision for (recovery of) income taxes for the years ended December 31, 2019 and 2018 is summarized as follows:

	2019	2018
	\$	\$
Net income (loss) before income taxes	<b>56,800,095</b>	(44,397,255)
Expected taxes payable (recoverable) at future rates - 26.5%	<b>15,052,025</b>	(11,765,273)
Income tax effect of the following:		
Non-taxable portion of realized capital gains	<b>(654,420)</b>	(2,283,765)
Non-taxable portion of unrealized capital (gains) losses	<b>(7,409,621)</b>	7,747,125
Non-taxable dividends	<b>(361,514)</b>	(179,644)
Foreign withholding tax expense, net of Canadian tax	<b>204,423</b>	223,363
Adjustment to prior year's tax balance	<b>(773,267)</b>	504,630
Other	<b>(2,500)</b>	212,459
<b>Income tax expense (recovery)</b>	<b>6,055,126</b>	(5,541,105)

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

Provision for (recovery of) deferred income taxes	<b>5,777,000</b>	(5,845,000)
Foreign withholding tax expense	<b>278,126</b>	303,895
<b>Income tax expense (recovery)</b>	<b>6,055,126</b>	(5,541,105)

# Urbana Corporation

## Notes to the financial statements

for the years ended December 31, 2019 and December 31, 2018

### 10. Income taxes (continued)

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

	December 31, 2019	December 31, 2018
	\$	\$
Resource deductions available in perpetuity	(76,106)	(77,260)
Unrealized capital gains on investments	14,996,568	8,005,862
Non-capital loss carryforwards	(1,260,959)	(45,488)
Other	497	(14)
<b>Total deferred income tax liability</b>	<b>13,660,000</b>	<b>7,883,000</b>

At December 31, 2019, the Company had non-capital losses of \$4,758,337 available for carryforward for tax purposes. The expiry dates of these losses are as follows:

Expiry Date	Amount
	\$
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	1,632,454
	<b>4,758,337</b>

### 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. Subsequent to the 2019 year end, on January 31, 2020 the Company paid a regular cash dividend of \$0.08 per share on the issued and outstanding Common and Class A Shares as at January 17, 2020 amounting to \$3,958,579.

### 12. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 11, 2020.