

# URBANA CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2022

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim financial statements of Urbana Corporation ("Urbana" or the "Corporation") and notes thereto for the three months ended March 31, 2022 (the "Interim Financial Statements") and the audited financial statements of Urbana and notes thereto for the year ended December 31, 2021 (the "Annual Audited Financial Statements"). Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Interim Financial Statements and the Annual Audited Financial Statements, both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts shown in this MD&A, unless otherwise specified, are presented in Canadian dollars. Unless specifically referred to a particular class of shares, all references to "Shares" or "per Share" refer collectively to the Corporation's common shares (the "Common Shares") and Class A shares (the "Class A Shares"). This MD&A is current as of May 11, 2022. The Corporation's Audit Committee reviewed this document, and prior to its release, the Corporation's Board of Directors approved it, on the Audit Committee's recommendation.

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

### REPORTING REGIME

Urbana is subject to National Instrument 51-102 ("NI 51-102") *Continuous Disclosure Obligations*. For accounting purposes, Urbana is treated as an investment entity under IFRS.

### NON-IFRS MEASURES

The Corporation prepares audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS. This MD&A complements IFRS results with the following financial measures which are not recognized under IFRS and which do not have a standard meaning prescribed by IFRS: "net assets per Share", "total return of net assets per Share" and "compound annual growth rate of net assets per Share since inception".

#### *Net assets per share*

The three financial measures used to calculate "net assets per Share", namely assets, liabilities and number of shares outstanding, are individually recognized under IFRS, but "net assets per Share" is not. The calculation of net assets per Share as at March 31, 2022 and December 31, 2021 is presented in the following table:

|   | March 31, 2022 | December 31, 2021 |
|---|----------------|-------------------|
| Assets (\$)                             | 381,823,448    | 348,099,367       |
| LESS Liabilities (\$)                   | 56,127,929     | 46,959,689        |
| EQUALS Net Assets (\$)                  | 325,695,519    | 301,139,678       |
| DIVIDED BY Number of Shares Outstanding | 42,430,000     | 43,000,000        |
| EQUALS Net assets per share (\$)        | 7.68           | 7.00              |

### *Total return of net assets per Share*

The total return of net assets per Share over a given period refers to the increase or decrease of Urbana's net assets per Share (determined as described above) over a specified time period, expressed as a percentage of Urbana's net assets per Share at the beginning of the time period, assuming that each dividend paid during the period was reinvested at a price equal to the net assets per Share at the relevant time.

The Common Shares and the Class A Shares participate equally in dividends and upon liquidation. Therefore, they are treated the same for purposes of the net assets per Share calculation.

### *Compound annual growth rate of net assets per Share since inception*

Compound annual growth rate ("CAGR") of net assets per Share since inception is the compound annual growth rate of Urbana's net assets per Share from October 1, 2002, when Caldwell Investment Management Ltd., the investment manager of Urbana, started managing Urbana's investment portfolio, to the end of the period in question.

We calculate CAGR of net assets per Share since inception by dividing Urbana's net assets per share at the end of the period in question by its net assets per Share at inception (i.e. October 1, 2002), raising the result to the power of the quotient obtained by dividing one by the number of years representing the period length, and then subtracting one.

The Corporation provides the three non-IFRS measures indicated above because it believes each measure can provide information that may assist shareholders to better understand the Corporation's performance and to facilitate a comparison of the results of ongoing operations. No measure that is calculated in accordance with IFRS is directly comparable to or provides investors with this net assets per Share information. As a result, no quantitative reconciliation from "net assets per Share" to an IFRS measure is provided in this MD&A.

Non-IFRS measures should not be construed as alternatives to net comprehensive income (loss) determined in accordance with IFRS as indicators of the Corporation's performance. CAGR of net assets per Share since inception describes the historical rate at which Urbana's net assets per Share would have increased at a steady rate. This single historical rate is only an illustration and does not represent the actual annual growth rate of Urbana's net assets per Share in any given year. The growth rate of Urbana's net assets per Share in any given year since 2002 may have been higher or lower than the CAGR of net assets per Share due to market volatility and other factors.

## **BUSINESS OBJECTIVES AND STRATEGIES, AND RISK FACTORS**

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. Urbana has the scope to invest in any sector in any geographic region. There were no material changes to Urbana’s investment style during the first financial quarter of 2022 (“2022 Q1”) that affected the overall level of risk associated with investment in the Corporation. Some of the risk factors associated with investing in Urbana are described in Urbana’s most recent annual information form, which is available on the Corporation’s website at [www.urbanacorp.com](http://www.urbanacorp.com) and on the SEDAR website at [www.sedar.com](http://www.sedar.com). Risks and uncertainties that may materially affect Urbana’s future performance include private entity investing risk, market fluctuations, currency risk and macroeconomic risk.

## **OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS**

To say the first quarter of 2022 was “eventful” is an understatement.

COVID-19 resurfaced as a major concern, supply chain issues remained and a decline in worker participation has contributed significantly to inflation. Government spending further exacerbated that problem. Commodity prices have been rising and the invasion of Ukraine put the world on edge and reminded the West that we are not all friends – quite the contrary.

Sanctions against Russia are also a two edged sword that will cause dislocations across all the world economies, from food, fertilizer, energy to defence spending, further contributing to inflation pressures.

The large U.S. technology stocks bore the brunt of the market declines during the early part of this year, but their overall stock market impact was moderate. During 2022 Q1, Urbana’s net assets per Share grew by 11.3%, from \$7.00 to \$7.68, after the payment of a dividend of ten cents (\$0.10) per Share<sup>1</sup> in January 2022. This compares very well to the 3.8% gain by the S&P/TSX Composite Total Return Index (“S&P/TSX Index”), which was bolstered by energy and raw materials stocks, and the 5.1% decline posted by the Dow Jones Industrial Average Total Return Index (in Canadian dollars) (“DJIA Index”). Urbana’s 2022 dividend represents an 11.1% increase from the dividend paid in 2021, which was \$0.09 per Share.

The 12 month to March 31, 2022 performance numbers for Urbana’s net assets per Share growth was 30.2% (after-tax) versus 6.6% for the DJIA Index and 20.2% for the S&P/TSX Index.

Urbana did very little public market trading during 2022 Q1. We experienced gains in our energy component and declines in our U.S. financial holdings. The net was an approximately 0.4% decline in this public portfolio component.

The overall growth in our portfolio occurred primarily as a result of our private equity investments, specifically in CNSX Markets Inc., the operator of the Canadian Securities Exchange and IGPC Ethanol Inc. (a division of Integrated Grain Processors Co-operative Inc.). Both of these valuation increases were fueled by significant earnings growth, well beyond forecasts.

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<sup>1</sup> The Common Shares and the Class A Shares participate equally in dividends.

During 2022 Q1, Urbana purchased and cancelled 570,000 Class A Shares under a Normal Course Issuer Bid (“NCIB”) at an average price of \$3.69 per Class A Share. Subsequent to March 31, 2022, Urbana purchased an additional 496,700 Class A Shares at an average price of \$3.87 per Class A Share. Since May 2010, Urbana has purchased and cancelled a total of 45,593,020 Class A Shares under its normal course issuer bid programs. The number of Class A Shares now outstanding is 31,933,300.

Urbana was also active in increasing its corporate profile through a digital awareness campaign and other measures. We are seeing positive results in our share price.

On balance, it was a positive quarter for Urbana Corporation. As we got beyond the quarter-end, concerns about inflation, interest rates and Ukrainian sanctions started to take hold.

Broadly based declines are the dominant theme in April 2022.

Urbana’s long-term performance, represented by its CAGR of net assets per share since inception on October 1, 2002 to March 31, 2022, was 15.4% (after-tax). This compares favorably with the CAGR of the S&P/TSX Index of 9.7% and the CAGR of the DJIA Index of 9.4%, for the same period.<sup>2</sup> Our long-term goal is to strive for and maintain superior long-term performance.

As noted above, the world we now face will be dealing with the overall impact of trade sanctions on the world, significantly higher interest rates and the rebuilding of America’s industrial base. There will be some continuing downward pressures, but we remain of the belief that our two primary public sectors (U.S. financial and energy) will serve us well over time.

We also believe our private holdings have significant future potential.

Please feel free to contact us whenever you wish.

In 2022 Q1, dividend income was \$948,923, up from \$663,466 in the first quarter of 2021 (“2021 Q1”). Both domestic and foreign dividends increased primarily due to increased dividend payment rates in 2022 Q1. In 2022 Q1, interest income amounted to \$133,443, up from \$69,868 in 2021 Q1. 2022 Q1 revenue reflects interest on debt securities held by Urbana in Highview Financial Holdings Inc. (“Highview”), Integrated Grain Processors Co-operative Inc. (“IGPC”), Vive Crop Protection Inc. and Kognitiv Corporation. In 2021 Q1 interest revenue related only to Highview, IGPC and Radar Capital Inc. (“Radar”). The Radar note was fully repaid in 2021 Q1.

Urbana realized a net gain of \$763,754 from the sale and disposal of investments in 2022 Q1 (2021 Q1 - \$2.8M net loss). This gain stemmed from the redemption of Caldwell Canadian Value Momentum Fund and to a lesser extent, from the disposal of Innergex Renewable Energy.

Urbana recorded \$36.1M in unrealized gains in 2022 Q1 (2021 Q1 - \$26.3M). The best performer during 2022 Q1 was CNSX Markets Inc., the operator of the Canadian Securities Exchange, which increased by \$37.8M as a result of a significant increase in earnings. Other notable superior

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<sup>2</sup> The CAGR of the indexes is calculated in the same way as the CAGR of net assets per Share since inception.

performers included Whitecap Resources Inc. (\$8.6M), Tamarack Valley Energy Ltd. (\$5.5M) and IGPC (\$3.4M). These unrealized gains were partially offset by unrealized losses primarily on our U.S. financials.

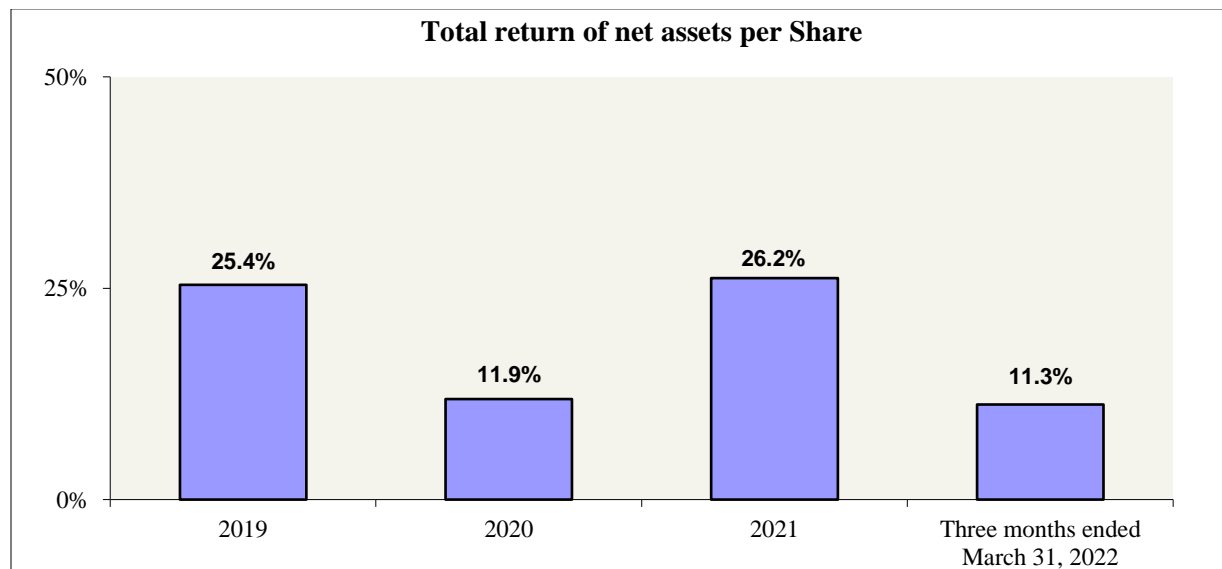
During 2022 Q1, Urbana recorded net income before income taxes of \$35.4M (2021 Q1 - \$22.0M) primarily due to unrealized gains on investments. Investment management fees in 2022 Q1 were \$1.9M, up from \$1.6M in 2021 Q1, due to an increase in the average net assets under management. Interest expense in 2022 Q1 amounted to \$183,268, slightly down from \$197,167 in 2021 Q1, due to a decrease in borrowing rates despite an increase in borrowings in 2022 Q1. Transaction costs, which relate entirely to purchases under the NCIB, amounted to \$17,100 in 2022 Q1, down from \$663 in 2021 Q1, due to increased NCIB purchases this year. Transaction costs in respect of all trades, excluding NCIB trades, are absorbed by Caldwell Investment Management Ltd., our investment manager. Professional fees, comprised of audit fees and legal costs, were \$60,505 in 2022 Q1, up from \$51,545 in 2021 Q1, due to increased audit fees. Administrative expenses in 2022 Q1 were \$368,142, up from \$344,159 in 2021 Q1, primarily due to increased marketing costs in 2022 Q1. Foreign withholding tax expense in 2022 Q1 was \$89,913, up from \$68,209 in 2021 Q1, due to an increase in foreign dividends this year. A deferred income tax expense of \$4.4M has been recorded in 2022 Q1 (2021 Q1 - \$2.8M) due to the unrealized gains recorded during 2022 Q1, which exceeded the unrealized gains in 2021 Q1.

**Past Performance**

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

**Year-by-Year Performance**

The following bar chart shows the net assets per Share performance of Urbana’s Shares for the financial periods indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period based on the net assets per Share of Urbana, assuming that each dividend paid during the period was reinvested.



## Summary of Investment Portfolio as at March 31, 2022

The following data is extracted from Urbana's Financial Statements:

| Number of securities              | Description   | Cost (\$)   | Fair value (\$) | % of Portfolio Fair Value |
|-----------------------------------|---|-------------|-----------------|---------------------------|
| <b>Private equity investments</b> |   |             |                 |                           |
| 13,460,878                        | CNSX Markets Inc.   | 8,048,349   | 93,014,667      | 24.4%                     |
| 1,327,620                         | Miami International Holdings Inc.                               | 12,257,268  | 13,266,110      | 3.5%                      |
| 800,000                           | Caldwell Financial Ltd.   | 1,826,650   | 2,920,000       | 0.8%                      |
| 2,350,000                         | Radar Capital Inc. Class A Common                               | 50          | -               | -%                        |
| 16,755,081                        | Radar Capital Inc. Class B Common                               | 11,561,006  | 6,232,890       | 1.6%                      |
| 1,544,236                         | Evolve Funds Group Inc. Class B Preferred                       | 1,772,788   | 3,057,587       | 0.8%                      |
| 3,000,000                         | Evolve Funds Group Inc. Class C Preferred                       | 2,130,658   | 5,940,000       | 1.6%                      |
| 719,342                           | Evolve Funds Group Inc. Class D Preferred                       | 719,342     | 719,342         | 0.2%                      |
| 15,259,886                        | Highview Financial Holdings Inc.                                | 11,546,243  | 19,532,654      | 5.1%                      |
| 5                                 | Integrated Grain Processors Co-operative Inc. Membership Shares | 500         | 500             | -%                        |
| 1,759,299                         | Integrated Grain Processors Co-operative Inc. Class E Preferred | 4,486,212   | 7,916,846       | 2.1%                      |
| 4,538,460                         | Four Lakes Capital Fund Limited Partnership                     | 4,999,998   | 9,232,839       | 2.4%                      |
| 84,012                            | Caldwell Growth Opportunities Fund (CGOF) (i)                   | 703,437     | 666,663         | 0.2%                      |
| 465,381                           | Vive Crop Protection Inc. Class A2 Preferred                    | 314,132     | 314,132         | 0.1%                      |
| 455,671                           | Vive Crop Protection Inc. Class B1 Preferred                    | 45,567      | 45,567          | -%                        |
| 6,500,000                         | Vive Crop Protection Inc. Class B3 Preferred                    | 3,250,000   | 3,250,000       | 0.8%                      |
| 3,250,000                         | Vive Crop Protection Inc. (Vive) Warrants (ii)                  | -           | -               | -%                        |
| 27,428                            | Kognitiv Corporation Preferred                                  | 353,000     | 312,099         | 0.1%                      |
| 122,222                           | Kognitiv Corporation  | 2,404,596   | 577,060         | 0.2%                      |
| 6,047,895                         | FundThrough Inc. Preferred                                      | 6,250,000   | 6,229,332       | 1.5%                      |
| 208,290                           | Varo Money, Inc.  | 2,565,000   | 2,410,659       | 0.6%                      |
| 1,750,000                         | Tetra Trust Company   | 1,750,000   | 1,750,000       | 0.5%                      |
| 5,622                             | Urbana International Inc. (UII) (iii)                           | 10,479,725  | 10,524,915      | 2.8%                      |
| <b>Public equity investments</b>  |   |             |                 |                           |
| 715,599                           | Caldwell Canadian Value Momentum Fund                           | 13,703,577  | 16,734,145      | 4.4%                      |
| 110,000                           | Cboe Global Markets, Inc.                                       | 3,637,004   | 15,720,793      | 4.1%                      |
| 100,000                           | Intercontinental Exchange Group Inc.                            | 4,153,846   | 16,502,449      | 4.3%                      |
| 200,000                           | Citigroup Inc.  | 10,176,194  | 13,339,854      | 3.5%                      |
| 350,000                           | Bank of America Corp.   | 4,882,387   | 18,020,044      | 4.7%                      |
| 250,000                           | Morgan Stanley  | 6,933,526   | 27,291,743      | 7.2%                      |
| 1,600,000                         | Real Matters Inc.   | 6,352,346   | 8,512,000       | 2.2%                      |
| 5,000,000                         | Tamarack Valley Energy Ltd.                                     | 13,399,065  | 24,800,000      | 6.5%                      |
| 200,000                           | KKR & Co. Inc. Class A  | 7,516,623   | 14,606,391      | 3.8%                      |
| 3,000,000                         | Whitecap Resources Inc.   | 10,531,333  | 31,020,000      | 8.1%                      |
| <b>Private debt investments</b>   |   |             |                 |                           |
| 3,000,000                         | Highview Financial Holdings Inc. (iv)                           | 3,000,000   | 3,000,000       | 0.8%                      |
| 1,000                             | Integrated Grain Processors Co-operative Inc. (v)               | 1,000,000   | 1,000,000       | 0.3%                      |
| 1,500,000                         | Vive Crop Protection Inc. (vi)                                  | 1,500,000   | 1,500,000       | 0.4%                      |
| 1,000,000                         | Kognitiv Corporation (vii)                                      | 1,000,000   | 1,000,000       | 0.3%                      |
| <b>Cash</b>                       |   |             |                 |                           |
|                                   |   | 140,485     | 140,485         | -%                        |
|                                   |   | 175,390,907 | 381,101,766     | 100.0%                    |

(i) Urbana owns 11.53% of CGOF, which owns 5.50% of the Class B common shares of Radar Capital Inc.

(ii) Each Vive warrant is exercisable at \$0.75 until December 31, 2022.

(iii) UII, a wholly-owned subsidiary of Urbana, holds 5,621.5 units of Blue Ocean Technologies, LLC. Urbana also owns 100 common shares of UII, which have a nominal value.

- (iv) Unsecured convertible promissory note maturing on June 30, 2023 with interest at 8% per annum payable quarterly. This promissory note was issued in connection with 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.
- (v) Debenture maturing on July 31, 2023 with interest at 7% per annum payable quarterly.
- (vi) Secured convertible promissory note maturing on August 17, 2024 with interest at 10% per annum in year one, 15% per annum in year two and 20% per annum in year three. Interest is payable on maturity. The note is convertible into equity at a conversion price of 90% in year one, 85% in year two and 80% in year three of the per share price paid by purchasers if certain financing or sale events (each an “Event”) occur. In the absence of an Event, upon maturity, Urbana may elect that the note be repaid in full or that the note be converted into equity at a conversion price of 80% of the per share fair market value at the time.
- (vii) Secured subordinated convertible note maturing on July 31, 2023 with interest at 12% per annum payable monthly. In lieu of a monthly cash interest payment, Kognitiv makes a payment-in-kind by capitalizing the interest payable on each monthly interest payment date.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. No mining expenditures were incurred in 2022 or 2021. See below under the heading “*Mining Claims*” for more information.

The above summary of the investment portfolio may change due to ongoing portfolio transactions. Weekly and quarterly updates are available at Urbana’s website at [www.urbanacorp.com](http://www.urbanacorp.com).

### **Demand Loan Facility**

Pursuant to a loan facility agreement between Urbana and a major Canadian chartered bank (the “Bank”) dated February 15, 2008, as amended on March 2, 2015, the Bank provided a demand loan facility to Urbana, which allowed Urbana to borrow up to \$25M. On July 2, 2021, the loan facility agreement was amended and restated to allow Urbana to borrow up to \$50M. Effective as of the date of the amended and restated loan facility agreement, interest is charged on the outstanding balance of the loan facility at the Bank’s prime rate plus 0.25%, calculated on a daily basis and paid monthly. Previously, interest was charged at the Bank’s prime rate plus 1.25%. The loan facility is secured by a general charge on Urbana’s assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at March 31, 2022, the outstanding balance of the loan was \$28.4M. The minimum and maximum amounts borrowed during 2022 Q1 were \$23.7M and \$29.9M respectively. As at the date of this MD&A, the Corporation has complied with all covenants, conditions and other requirements of the loan facility.

### **Normal Course Issuer Bid**

On August 27, 2021, the Toronto Stock Exchange (the “TSX”) accepted a notice of intention to conduct a normal course issuer bid from Urbana to purchase up to 3,373,358 of its own Class A Shares (the “2021 NCIB”), representing 10% of the public float, pursuant to TSX rules. Purchases under the 2021 NCIB were permitted starting on September 7, 2021, and will terminate on the earlier of September 6, 2022, 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. The Class A Shares purchased under the 2021 NCIB must be cancelled. As at March 31, 2022, Urbana had purchased and cancelled 570,000 Class A Shares pursuant to the 2021 NCIB at an average purchase price of \$3.69 per Class A Share.

### **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 has received several enquiries

from companies operating in the area but has not yet decided on a partner for further development. 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.

Urbana has incurred mining expenditures totaling \$1.1M, all of which relate to periods prior to 2019. These expenditures were recorded in the financial statements of the Corporation as a loss in computing “net realized gain on sale and disposal of investments”, in accordance with IFRS 6 “*Exploration for and Evaluation of Mineral Resources*”. Management has elected to expense exploration and evaluation costs related to the mineral claims, as the property holds no known proven reserves or resources. Although the property has several interesting gold occurrences, there has been no ore body tonnage proven up at this time. The property is therefore still highly speculative. If ore body tonnage is proven up in the future, and the determination has been made to move into the development phase, then future expenditures on development will be capitalized and tested for impairment. The amount of exploration expenditures has not been material for Urbana and is expected to continue to be immaterial for the near-term.

### **Dividend Policy and Dividend Declared**

Currently the Corporation has a dividend policy that it intends to pay a cash dividend to the shareholders as soon as practical after the end of each year. The amount of the dividend to be paid is determined each year by the Board, taking into consideration certain factors that the Board deems relevant, including the performance of the Corporation’s investments, the economic and market conditions, and the financial situation of the Corporation.

On January 31, 2022, the Corporation paid a cash dividend of \$0.10 per Share on the issued and outstanding Common and Class A Shares as at January 17, 2022. Pursuant to subsection 89(14) of the *Income Tax Act* of Canada (ITA) each dividend paid by Urbana qualifies as and is designated an eligible dividend for Canadian income tax purposes, as defined in subsection 89(1) of the ITA.

### **Outstanding Share Data**

As at May 11, 2022, the Corporation has 10,000,000 Common Shares and 31,933,300 Class A Shares outstanding.

### **RELATED PARTY DISCLOSURES**

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. (“CIM”), which is 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 (see below under the heading “*Management Fees*”). As at December 31, 2021 Urbana had a 20% ownership interest in CFL.

CSL, an affiliate of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions. The total amount of commission fees paid to CSL by Urbana in the three month periods ended March 31, 2022 and 2021, and during the years ended December 31, 2021 and 2020 were \$17,100, \$663, \$37,249 and \$143,922 respectively. Commissions paid relate solely to NCIB



trades. All securities transactions conducted through CSL are reviewed by Urbana's independent directors on a quarterly basis.

Pursuant to an administrative services agreement between Urbana and CSL dated and effective March 1, 2019 and as amended on April 1, 2021, Urbana pays CSL a monthly fee of \$30,962 (HST inclusive) for administrative services, including investor relations services, information technology services, professional corporate office services, and office and conference room access for Urbana's staff, directors and officers.

As at March 31, 2022 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. 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 March 31, 2022 Urbana had an 11.53% ownership interest in Caldwell Growth Opportunities Fund, which is a private equity pool managed by CIM. Urbana does not pay a management fee as described below, on this investment (see below under the heading "*Management Fees*").

In February 2022, Urbana redeemed 189,837 units of Caldwell Canadian Value Momentum Fund ("CCVMF") for \$4.3M. As a result, as at March 31, 2022 Urbana had a 7.32% ownership interest in CCVMF, which is a mutual fund managed by CIM. Urbana pays a 0.5% per annum management fee on this investment pursuant to an agreement dated July 30, 2020 between Urbana and CIM, instead of the 2.0% per annum management fee paid to CIM (see below under the heading "*Management Fees*").

As at March 31, 2022 Urbana owned 49.92% of CNSX Markets Inc., the operator of the Canadian Securities Exchange.

As at March 31, 2022 Urbana had a 73.42% ownership interest in Highview Financial Holdings Inc. ("HFHI") and held a \$3M convertible promissory note from HFHI. Pursuant to the HFHI amended and restated shareholders' agreement effective as of December 30, 2020, Urbana has agreed that it shall not be entitled to elect a majority of the board of directors of HFHI and therefore it is not considered a subsidiary of Urbana.

Urbana holds an investment in Blue Ocean Technologies, LLC ("Blue Ocean") through Urbana International Inc. ("UII"), its wholly-owned subsidiary. UII was formed for the sole purpose of investing in Blue Ocean. As at March 31, 2022 Urbana had a receivable of \$91,390 from UII in respect of operating expenses incurred by UII.

As at March 31, 2022 there were no fees payable to related parties, other than a management fee of \$666,299 payable to CIM.

During the three month period ended March 31, 2022, Urbana, as lender, increased its loan to one director of the Corporation, Michael B. C. Gundy. Prior to 2022, Urbana issued loans to three directors of the Corporation, Charles A. V. Pennock, George D. Elliott and Michael B. C. Gundy and to one officer of the Corporation, Sylvia V. Stinson. Each loan agreement provides for a

revolving credit facility of up to \$100,000 for each such person, which they may use for the sole purpose of purchasing Urbana Shares, in the discretion of the borrower. Interest is charged at the interest rate used by the Canada Revenue Agency to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans. The securities of Urbana purchased by each director or officer with funds advanced under each revolving credit facility are held in a broker's account as security for the loan. As at March 31, 2022, the total outstanding principal amount of such loans is \$280,973, being \$50,090, \$97,321, \$72,452 and \$61,110 in respect of Messrs. Elliott, Gundy and Pennock and Ms. Stinson, respectively. As at March 31, 2022, Messrs. Elliott, Gundy and Pennock have purchased, respectively, 19,000 Common Shares, 29,900 Common Shares, and 6,000 Common Shares and 20,000 Class A Shares, and Ms. Stinson has purchased 3,000 Common Shares and 15,000 Class A Shares of the Corporation with funds borrowed under each respective credit facility.

## MANAGEMENT FEES

Pursuant to an investment management and advisory agreement dated December 6, 2019 (as amended on April 1, 2021) and effective as of January 1, 2020, 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 pays 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. In 2022 Q1, CIM earned \$1.9M of investment management fees from Urbana. The investment management fees are accrued daily and paid monthly in arrears. As at March 31, 2022 there was an investment management fee of \$666,299 payable to CIM.

## SUMMARY OF QUARTERLY RESULTS

The table below shows the key operating results of the Corporation for each of the eight most recently completed quarters:

|  | 1st Quarter<br>2022 (\$) | 4th Quarter<br>2021 (\$) | 3rd Quarter<br>2021 (\$) | 2nd Quarter<br>2021 (\$) |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Realized gain (loss)                       | 763,754                  | (1,086,827)              | 7,761,289                | 6,132,354                |
| Change in unrealized gain                  | 36,119,008               | 5,697,504                | 5,483,826                | 24,323,963               |
| Dividend income                            | 948,923                  | 3,124,096                | 812,225                  | 643,355                  |
| Interest income                            | 133,443                  | 117,644                  | 96,439                   | 78,076                   |
| Total expenses                             | 2,521,385                | 2,576,642                | 2,439,739                | 2,224,435                |
| Net income before income taxes             | 35,443,743               | 5,275,775                | 11,714,040               | 28,953,313               |
| Net income before income taxes per Share   | 0.83                     | 0.12                     | 0.27                     | 0.66                     |
| Net assets per Share (beginning of period) | 7.00                     | 6.84                     | 6.56                     | 5.98                     |
| Net assets per Share (end of period)       | 7.68                     | 7.00                     | 6.84                     | 6.56                     |
|  | 1st Quarter<br>2021 (\$) | 4th Quarter<br>2020 (\$) | 3rd Quarter<br>2020 (\$) | 2nd Quarter<br>2020 (\$) |
| Realized gain (loss)                       | (2,791,871)              | (358,322)                | 299,738                  | 13,991,997               |
| Change in unrealized gain                  | 26,252,702               | 29,357,732               | 3,864,600                | 23,142,602               |
| Dividend income                            | 663,466                  | 738,495                  | 804,739                  | 648,107                  |
| Interest income                            | 69,868                   | 80,554                   | 68,787                   | 184,050                  |
| Total expenses                             | 2,144,406                | 2,202,164                | 1,858,471                | 1,696,689                |
| Net income before income taxes             | 22,049,759               | 27,616,295               | 3,179,393                | 36,270,067               |
| Net income before income taxes per Share   | 0.50                     | 0.60                     | 0.07                     | 0.73                     |
| Net assets per Share (beginning of period) | 5.64                     | 4.93                     | 4.80                     | 4.13                     |
| Net assets per Share (end of period)       | 5.98                     | 5.64                     | 4.93                     | 4.80                     |

The variations shown in the table above relate to the timing of investment decisions and do not reflect any general trends or seasonality.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Corporation has no significant financial or contractual obligations other than a demand loan facility with a major Canadian bank (see above under the heading “*Demand Loan Facility*”). The Corporation currently holds approximately 48% of its assets, with a fair value of approximately \$177.9M, in cash and marketable securities. It has the liquidity to readily meet all of its operating expense requirements and its obligations under the loan facility.

In 2022 Q1, the Corporation did not conduct any additional financing activities. As at the date of this MD&A, the Corporation does not have any capital expenditure commitments, which the Corporation plans to fund from sources other than the existing loan facility or by liquidating some of its marketable securities.

Currently, holdings of readily marketable securities generate dividend income and can be disposed of with relative ease. Should in future the composition of the Corporation’s portfolio be weighted significantly more toward private investments, which do not produce income and cannot be readily sold, the Corporation may need to rely on its loan facility or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of the Corporation’s financial statements in accordance with IFRS requires management to make estimates and exercise judgments that 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. The following discusses the most significant accounting judgments that Urbana has made in preparing the financial statements:

### *Fair value measurement of private investments*

Urbana holds private investments that are not quoted in active markets and for which there may or may not be recent comparable transactions. In determining the fair value of these investments, Urbana has made significant accounting judgments and estimates. See Notes 1 and 2 of the Interim Financial Statements for more information on the fair value measurement techniques and types of unobservable inputs employed by the Corporation in its valuation of private investments.

## **Changes in Accounting Policies**

There have been no changes in accounting policies during 2022 Q1 that affect the Corporation.

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

Urbana’s management (“Management”), under the supervision of its chief executive officer (“CEO”) and chief financial officer (“CFO”), is responsible for establishing and maintaining the Corporation’s DC&P and ICFR (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*).

Consistent with NI 52-109, the Corporation's CEO and CFO have reviewed the design of the Corporation’s DC&P and ICFR and have concluded that as at March 31, 2022 (A) the Corporation’s DC&P provide reasonable assurance that (i) material information relating to the Corporation has been made known to them, particularly during the financial quarter ended March 31, 2022 and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in securities legislation; and (B) the Corporation’s ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in the Corporation’s ICFR that occurred during the period beginning January 1, 2022 and ending on March 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Corporation’s ICFR. All control systems contain inherent limitations, no matter how well designed. As a result, Management acknowledges that the Corporation’s ICFR will not prevent or detect all misstatements due to error or fraud. In addition, Management’s evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

## ***FORWARD-LOOKING STATEMENTS***

*Certain information contained in this MD&A constitutes forward-looking information within the meaning of applicable Canadian securities laws, which is information relating to possible events, business, operations, financial performance, condition or results of operations of the Corporation, that are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “schedule”, “may”, “will”, “project”, “predict”, “potential”, “target”, “intend”, “could”, “might”, “should”, “believe”, and similar words (including negative or grammatical variations) or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation or grammatical variation thereof. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Corporation’s investment approach, objectives and strategy, including its focus on specific sectors; the ability to achieve and maintain long-term performance; the structuring of its investments and its plans to manage its investments; the timing for the disposition of investments and the performance of such investments; the Corporation’s financial performance; the Corporation’s ability to manage relevant conflicts of interest; the Corporation’s plans regarding future dividends; the Corporation’s ability to meet its liquidity and debt needs; any purchases under the Corporation’s normal course issuer bid; statements related to future development or prospects of Urbana’s mineral claims; and its expectations regarding the performance of its investments and certain sectors.*

*Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Corporation’s investments; fluctuations in the value of investments; the available opportunities and competition for its investments; the availability of good values in many major companies and the Corporation’s ability to realize on such values; the concentration of its investments in certain industries and sectors; the Corporation’s dependence on its management team; risks affecting the Corporation’s investments; factors affecting and fluctuations in markets; private entity investing; limited liquidity of certain assets; global political and economic conditions; any impact of the COVID-19 pandemic; investments by the Corporation in private issuers which have illiquid securities; management of the growth of the Corporation; exchange rate fluctuations; and other risks and factors referenced in this MD&A including under “Business Objectives And Strategies, And Risk Factors”.*

*Although the Corporation has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. Forward-looking information and statements serve to provide information about management’s current expectations and plans and to allow investors and others to get a better understanding of the Corporation’s operating environment. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.*