

URBANA CORPORATION

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2013

This annual management report of fund performance follows the disclosure requirements of the Canadian Securities Administrators' National Instrument 81-106. It contains financial highlights but does not contain the complete annual financial statements of Urbana Corporation ("Urbana" or the "Corporation"). You can get a copy of Urbana's annual financial statements at your request, and 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 or the SEDAR website at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of Urbana's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified the financial services sector as attractive for longer term growth.

Risk

There were no material changes to Urbana's investment style over the financial year that affected the overall level of risk associated with investment in the Corporation. The suitability and investor risk tolerance remains unchanged over the years as that of an aggressive growth vehicle with concentrated investment positions. The risks associated with investing in Urbana are described in Urbana's last short form prospectus dated November 2, 2009 under the heading of "Risk Factors".

Results of Operations

Net shareholders' equity increased from \$129,073,024 at the end of 2012 to \$174,854,341 at the end of 2013, an increase of \$45,781,317 (or 35.47%). Net Assets (as described in note 9 to the audited annual financial statements) per common share was \$2.89 as at December 31, 2013 compared to \$1.86 as at December 31, 2012, representing an increase of 55.38%. The Net Assets per share for the Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, is the same as the Net Assets per common share.

Dividend income in 2013 was \$2,995,516 as compared to \$5,143,548 in 2012. During 2013, Urbana realized a loss of \$22,997,564 from the sales and dispositions of investments as compared to a realized loss of \$15,940,920 in 2012. As at December 31, 2013, change of net unrealized net gains increased by \$82,343,516 from December 31, 2012. Portfolio gains (realized and unrealized) during the year included gains in CBOE Holdings Inc. of \$30 million, NYSE Euronext of \$14 million, Citigroup of \$4 million, Bank of America of \$5.5 million, Morgan Stanley of \$5.5 million, Sun Life and Manulife of \$2.5 million, Canadian Securities Exchange of \$2.2 million and Minneapolis Grain Exchange of \$1.4. Portfolio losses (realized and unrealized) during the year included losses in Bombay Stock Exchange of \$3 million, StoneCap Securities Inc. of \$2.2 million, and Teck Resources of \$0.6 million.

Investment management fees for 2013 increased by \$521,765 (2013 - \$2,747,415 and 2012 - \$2,225,650) as a result of an increased investment portfolio. In 2013, foreign withholding tax decreased by \$599,016 (2013 - \$16,271 and 2012 - \$615,737) as a result of lower U.S. dividend income for the year. Transaction costs decreased marginally by \$65,111 (2013 - \$754,384 and 2012 - \$819,495).

Urbana's operations in 2013 resulted in a net gain of \$58,902,711 (a net loss of \$24,904,529 before net unrealized gain on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net gain of \$7,302,418 (a net loss of \$15,508,622 before the specified items) in 2012.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with Bank of Montreal (the 'Bank'). In July 2009 the loan facility agreement was amended to allow Urbana to borrow up to \$15,000,000 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 2.50% (prior to April 29, 2013, the Bank's prime rate plus 2.75%), calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets. Proceeds from the loan may be used for purchasing additional investments and/or for general corporate purposes. As at December 31, 2013, the outstanding balance of the loan was \$8,700,000 (2012 – nil), representing 4.98% of the net assets of Urbana. The minimum and maximum amount borrowed during 2013 were \$0 and \$15,000,000 respectively.

Normal Course Issuer Bid

On August 27, 2013 the Toronto Stock Exchange ("TSX") accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 5,394,023 of its own Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 29, 2013, and will terminate on the earlier of August 28, 2014, the date Urbana completes its purchases pursuant to the notice of intention to make 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 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 at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase in any given 30 day period, in the aggregate, more than 1,087,720 Non-Voting Class A Shares, being 2% of the 54,386,000 issued and outstanding Non-Voting Class A Shares as at August 27, 2013 (the date on which the notice was filed). As at December 31, 2013, Urbana has

purchased 9,053,800 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.45 per share. Previously, the TSX had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009, August 28, 2009 to August 27, 2010, August 28 2010 to August 27, 2011, August 29, 2011 to August 28, 2012 and August 29, 2012 to August 28, 2013 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased, respectively during these periods, 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share, 3,083,920 Non-Voting Class A Shares at \$1.32 per share, 7,431,300 Non-Voting Class A Shares at \$1.27 per share, 6,636,033 Non-Voting Class A Shares at \$1.01 per share and 5,989,067 Non-Voting Class A Shares at \$1.18 per share.

Acquisitions and Dispositions of Investments

During 2013, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investment	Quantity	Type of Investments	Cost(\$)
Morgan Stanley	650,000	shares	15,612,917
Barrick Gold Corp.	660,000	shares	12,000,180
International Exchange	55,640	shares	11,556,050
Bank of America Corp.	700,000	shares	9,044,554
AGF Management Ltd	600,000	shares	7,829,683
Citigroup Inc.	150,000	shares	7,053,922
Real Matters Inc.	3,750,000	shares	4,500,000
Teck Resources	150,000	shares	4,346,030
Manulife Financial Corp.	240,000	shares	3,841,380
Sun Life Financial Inc.	120,000	shares	3,652,208
CNSX Markets Inc. common stock	3,173,100	shares	1,294,264
Minneapolis Grain Exchange (seats)	5	seats	693,737
Hudson's Bay	40,000	shares	686,000
Canadian Oil Sands	30,000	shares	603,000
Radar Capital Fund	500,040	shares	500,040
Enbridge Inc.	4,000	shares	187,400

Dispositions

Investment	Quantity	Type of Investment	Proceeds(\$)
NYSE Euronext	1,300,000	shares	52,624,527
CBOE Holdings Inc.	635,000	shares	27,266,028
Teck Resources	150,000	shares	3,750,150
Morgan Stanley	50,000	shares	1,517,087
Barrick Gold Corp.	50,000	shares	1,037,610
Manulife Financial Corp.	50,000	shares	1,015,500
Sun Life Financial Inc.	25,000	shares	926,693

Jovian Capital Inc.	68,500	shares	691,117
Canadian Oil Sands	30,000	shares	610,383
Hudsons Bay	40,000	shares	682,804
TMX Group Inc.	10,000	shares	541,149
Enbridge Inc.	4,000	shares	178,536
Argent Energy Trust	8,000	units	78,916

Mining Claims

Urbana has owned resource properties in Urban Township, Quebec for a number of years. Accounting Guideline 11 in the Canadian Institute of Chartered Accountants handbook provides that when there has been a delay in development activity that extends beyond three years, there is a presumption that a write-down of capitalization costs is necessary. Accordingly, in 2005 management wrote down the capitalized costs of the resource properties to a nominal value. In 2010, the capitalized costs of the resource properties were written off. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its resource properties if and when it is deemed suitable. In 2013 there has been some limited exploration activity in Urban Township by other companies with land positions there. In general, exploration activity at some future date may enhance the value of Urbana's claim group.

Recent Developments

Future Changes in Accounting Standards

Investment companies will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. The Company will issue its financial statements for 2014 prepared in accordance with IFRS along with comparative balances. The Canadian Securities Regulators published amendments to National Instrument 81-106 in fall 2013 to deal with the implementation of IFRS. Management has determined that the impact of IFRS will be in the areas of additional note disclosures and there will be no significant change to the calculation of the net asset values.

Dividend Policy and Dividend Declared

On February 14, 2014, the board of directors of Urbana approved a policy to pay an annual cash dividend to the holders of common and non-voting Class A shares of the Corporation (collectively, the "Shareholders"). The Corporation intends to pay a cash dividend of five cents (\$0.05) per share to the Shareholders in March each year beginning March, 2014. The amount of dividend to be paid is determined each year by the board of directors of the Corporation (the "Board"), taking into consideration all factors that the Board deems relevant, including the performance of the Corporation's investments, the economic and market conditions, and financial situation of the Corporation.

On February 14, 2014, Urbana's board of directors declared a cash dividend of five cents (\$0.05) per share on the issued and outstanding common and non-voting Class A shares of Urbana, payable on the 17th of March, 2014, to the Shareholders of record at the close of business on the 3rd day of March, 2014. 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.

Related Party Transactions

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of the Investment Manager, Caldwell Investment Management Ltd. (“CIM”). In 2013 and 2012, investment management fees of \$2,747,415 and \$2,225,650 respectively were earned by CIM in connection with its services to Urbana. For the year ended December 31, 2013, CIM absorbed no expenditures relating to Urbana (December 31, 2012 - \$nil). As at December 31, 2013 there was an investment management fee payable of \$758,265 (December 31, 2012 – \$534,565) to CIM. There were no other fees payable to related parties as at December 31, 2013.

Radar Capital Inc. (“RCI”), a private capital company, is a wholly-owned subsidiary of Urbana. As at December 31, 2013, Urbana has advanced \$500,000 to RCI as operating capital and has made a \$500,040 investment in a limited partnership that is managed by RCI.

Subsequent to its establishment, the Independent Investment Review Committee has made a recommendation to Urbana and CIM to execute portfolio transactions through Caldwell Securities Ltd, a sister company of CIM and a registered broker and investment dealer, provided that such transactions are executed on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to CIM.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about Urbana and are intended to help you understand Urbana's financial performance for the past five years.

	Urbana's Net Assets per Share^(1 & 2)				
	2013	2012	2011	2010	2009
Net assets, beginning of year	\$1.86	\$1.70	\$1.83	\$2.00	\$2.05
Realized gain(loss) for the year	(0.35)	(0.22)	(0.11)	(0.07)	(0.05)
Unrealized gain(loss) for the year	1.26	0.38	(0.09)	(0.22)	(0.00)
Total Investment income for the year	0.05	0.08	0.06	0.09	0.08
Total expenses for the year, including future taxes ⁽³⁾ , and non-controlling interest portion of gain/loss	(0.07)	(0.06)	(0.01)	(0.02)	(0.05)
Distributions	Nil	Nil	Nil	Nil	Nil
Net assets, end of year ⁽⁴⁾	2.89	1.86	1.70	1.83	2.00

- (1) This information is derived from Urbana's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value calculated for fund valuation purposes due to differences in valuation techniques as described in note 9 to the financial statements.
- (2) Net assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (3) Total expenses include future taxes only where future taxes are a liability. Where future taxes are an asset (i.e. a future tax credit), total expenses do not include future taxes.
- (4) This is not a reconciliation of beginning and ending net assets per share.

	2013	2012	2011	2010	2009
Total net asset value(000's) ⁽¹⁾	\$174,854	\$129,073	\$126,669	\$148,103	\$174,683
Shares outstanding ⁽¹⁾	60,525,200	69,579,000	74,408,000	81,066,100	87,526,320
Management expense ratio including share issuance costs	2.68%	3.45%	3.20%	2.76%	4.32%
Management expense ratio excluding share issuance costs ⁽²⁾	2.68%	3.45%	3.20%	2.76%	2.94%
Management expense ratio excluding share issuance costs and foreign withholding taxes.	2.67%	2.93%	2.89%	2.14%	2.11%
Management expense ratio excluding share issuance costs, foreign withholding taxes and interest.	2.50%	2.31%	2.32%	1.98%	1.99%
Management expense ratio excluding share issuance costs, foreign withholding taxes and interest, before waivers or absorptions	2.50%	2.31%	2.32%	1.98%	1.99%
Portfolio turnover ratio ⁽³⁾	52.02%	21.65%	5.56%	7.21%	2.23%
Trading expense ratio ⁽⁴⁾	0.48%	0.63%	0.08%	0.44%	0.00%
Net asset value per share	\$2.89	\$1.86	\$1.70	\$1.83	\$2.00
Closing market price (common)	\$1.85	\$1.00	\$0.89	\$1.29	\$1.51
Closing market price (Class A)	\$1.88	\$0.97	\$0.89	\$1.23	\$1.48

- (1) This information is provided as at December 31 of the year shown.
- (2) Management Expense Ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of weekly average net asset value during the period.
- (3) Urbana's portfolio turnover rate indicates how actively the Corporation's investment manager manages Urbana's portfolio securities investments. A portfolio turnover rate of 100% is equivalent to the Corporation buying and selling all of the securities in the portfolio once in the course of the year. The higher a company's portfolio turnover rate in a year, the greater the trading costs payable by the company in the year, and the

greater the chance that the company will receive taxable gains or losses in the year. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio.

- (4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

Management Fees

Investment management fees are charged for portfolio management services in accordance with an investment management agreement with CIM. Pursuant to a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. During the year ended December 31, 2013, CIM earned \$2,747,415 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

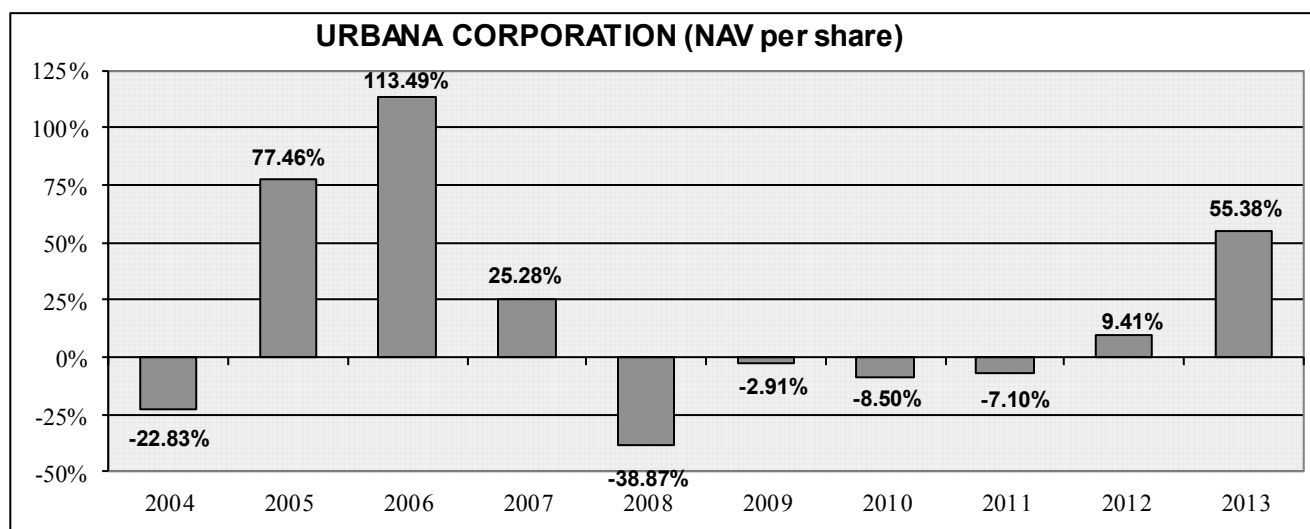
PAST PERFORMANCE

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 Returns

The following bar chart shows the net asset value performance of Urbana's common shares for the financial years indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year based on the net asset value (NAV) per share of Urbana. All net asset value returns are calculated based on Urbana's Net Asset Values (as opposed to Net Assets).

Urbana's Non-Voting Class A Shares were first issued on January 11, 2007. The Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, have the same NAV per share as the common shares.



*CIM began managing Urbana's investment portfolio on October 1, 2002.

Annual Compound Returns

The following table shows Urbana's historical annual compound returns for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2013), compared with the S&P/TSX Composite Index.

	1 year	3 year	5 years	since inception of Class A shares ⁽¹⁾	since inception of common shares ⁽¹⁾	10 year
Urbana NAV	55.38%	16.45%	7.01%	-0.15%	16.88%	12.13%
Urbana Common Shares (Market)	85.00%	12.77%	4.15%	n/a	6.27%	7.47%
Urbana Class A Shares (Market)	93.81%	15.19%	6.85%	-6.49%	n/a	n/a
S&P/TSX Composite Index ⁽²⁾	9.56%	0.44%	8.67%	1.22%	4.40%	5.18%

- (1) Inception date of common shares is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund. Inception date of the Non-Voting Class A Share is January 11, 2007. CIM began managing Urbana's investment portfolio on October 1, 2002.
- (2) The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

SUMMARY OF INVESTMENT PORTFOLIO (non-consolidated) As at December 31, 2013

The following data is extracted from Urbana's financial statements:

Number of shares, units or seats	Description	Cost	Fair value	% of Portfolio Fair Value	% of Total Net Assets
Privately owned entities					
3,141,562	Bombay Stock Exchange (shares held by CIHI and UMI)	32,480,863	14,030,393	7.61%	8.02%
10,324,506	CNSX Markets Inc. common stock	4,995,936	6,194,704	3.36%	3.54%
32	Minneapolis Grain Exchange (seats)	7,279,359	4,760,000	2.58%	2.72%
169,341	Budapest Stock Exchange (shares)	4,761,242	2,231,346	1.21%	1.28%
759,000	Caldwell Financial Ltd.	1,707,750	1,867,140	1.01%	1.07%
500,040	Radar Capital Fund 1 Limited Partnership	500,040	500,040	0.27%	0.29%
3,750,000	Real Matters Inc.	4,500,000	4,500,000	2.44%	2.57%
Publicly traded securities					
850,000	CBOE Holdings Inc.	28,104,121	46,965,917	25.47%	26.86%
55,640	Intercontinental Exchange Group Inc.	11,556,000	13,304,556	7.22%	7.61%
300,000	Citigroup Inc.	12,758,458	16,627,259	9.02%	9.51%
1,200,000	Bank of America Corp.	14,386,684	19,872,302	10.78%	11.37%
250,000	Manulife Financial Corp.	3,817,483	5,237,500	2.84%	3.00%
125,000	Sun Life Financial Inc.	3,563,270	4,688,750	2.54%	2.68%
600,000	AGF Management Ltd.	7,788,268	7,962,000	4.32%	4.55%
610,000	Barrick Gold Corp.	11,091,915	11,414,413	6.19%	6.53%
600,000	Morgan Stanley	14,411,923	20,006,316	10.85%	11.44%

Other

2,500,000	2232057 Ontario Inc. unsecured subordinated loan ¹	2,500,000	1,500,000	0.81%	0.86%
	Cash and Cash Equivalents	2,720,772	2,720,772	1.48%	1.56%
Total		168,924,084	184,383,408	100.00%	105.45%

¹ Investment in StoneCap Securities Inc.

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