

URBANA CORPORATION

2013

2013 ANNUAL REPORT

Corporate Information

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TRANSFER AGENT & REGISTRAR:

CST Trust Company
P.O. Box 700
Station B
Montreal, QC
H3B 3K3

AUDITORS: DELOITTE, LLP

Brookfield Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

INDEPENDENT REVIEW COMMITTEE:

Robert Guilday, Chair
Sharon Kent
F. Michael Walsh

DIRECTORS & OFFICERS OF THE COMPANY:

Thomas S. Caldwell, C.M.
Director and President
Toronto, Ontario

Bethann Colle
Director
Toronto, Ontario

George D. Elliott
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer

Harry K. Liu
General Counsel and Corporate Secretary

Urbana Corporation's Common
Shares and Non-Voting Class A
Shares are listed for trading on
the Toronto Stock Exchange and
the Canadian Securities Exchange.

Ticker Symbols:

URB (Common Shares)

URB.A (Non-Voting Class A Shares)

Website: www.urbanacorp.com

URBANA CORPORATION

Report to Shareholders

The year 2013 was, on balance, a very satisfactory year for Urbana Corporation (“Urbana”). Our net assets per share grew 55.4% and our share price rose by 94%. Our net assets rose to \$174.9 million after the purchase and cancellation of approximately 9 million shares at an average cost of \$1.45 per share.

The year was not without disappointment with the forced sale of Stonecap Securities to Edgecrest Capital just after the turn of the year.

Overpowering this setback were the takeovers of NYSE/Euronext by the InterContinental Exchange and the Kansas City Board of Trade by the Chicago Mercantile Exchange. Urbana’s activities in the publicly traded securities markets also provided excellent returns.

In regard to the securities exchange space, Urbana still has legacy positions in the Budapest, Bombay and Minneapolis Grain exchanges. We continue to monitor these investments with a view to liquidation.

Going forward, Urbana expects to have a 49% joint venture position in Radar Capital Ltd., a private equity company, established and managed by Mark Lerohl. Urbana’s management sees the private equity sector as presenting significant opportunities and we view this collaboration as an excellent means of enhancing our expertise in the sector.

URBANA CORPORATION

Real Matters, one of our recent private equity investments, is an exceptionally well run organization providing greater organization, professionalism and accountability for the real estate appraisal sector throughout North America. This company holds the realistic promise of becoming an industry leader.

Urbana's investment in the CNSX/Pure Trading has been rebranded as the Canadian Securities Exchange ("CSE") "The Exchange for Entrepreneurs".

Our goal is to reduce the unnecessary burdens on new public companies and to help them more efficiently access the public capital market.

We were fortunate to have Ned Goodman join us in this venture in 2013. His record as a successful entrepreneur is well known. His organization and Urbana now each own approximately one third of CSE. Trading cash equities is a very competitive business but we do feel there is a great opportunity for CSE, which is now a debt free, highly efficient and client focused enterprise.

Urbana declared its first dividend of \$0.05 per share on February 14, 2014 to shareholders of record as of March 3, 2014 and payable on March 17, 2014. Management now feels we have an adequate liquidity cushion to begin this annual payment in order to provide our shareholders with an opportunity cost return as we seek continuing corporate growth.

I would commend reading the enclosed "Back to the Future" article which discusses the merits of Urbana's operating structure. Further, our web site (www.urbanacorp.com) is updated weekly and this too can be helpful in keeping our investors informed. Management makes every effort to directly, respond as quickly as possible, to every shareholder enquiry.

We would like to thank all of our shareholders for their continuing support.

On behalf of the Board of Directors,
Thomas S. Caldwell

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.

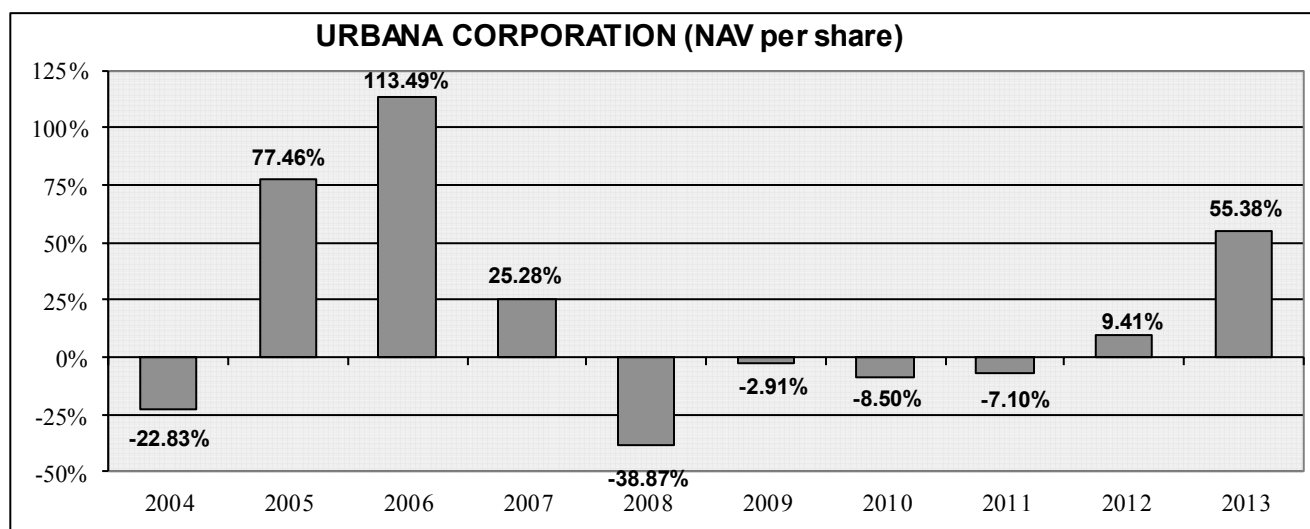
PAST PERFORMANCE

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

Audited consolidated financial statements of

Urbana Corporation

December 31, 2013 and 2012

Urbana Corporation

December 31, 2013 and 2012

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Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying consolidated financial statements of Urbana Corporation, which comprise the consolidated statements of net assets and consolidated statements of investment portfolio as at December 31, 2013 and 2012, and the consolidated statements of operations and consolidated statements of changes in net assets, and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2013 and 2012, and the results of its operations and the changes in net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 13, 2014

Urbana Corporation

Consolidated statements of net assets as at December 31, 2013 and 2012

In Canadian \$

	2013	2012
	\$	\$
Assets		
Cash and cash equivalents	2,720,772	5,997,296
Investments, at fair value (Note 2)	189,098,540	137,562,048
Sundry receivables	895,630	25,892
Prepaid expenses	31,215	30,202
	192,746,157	143,615,438
Liabilities		
Loan payable (Note 5)	8,700,000	-
Accounts payable and accrued liabilities (Note 8)	1,036,685	4,923,559
	9,736,685	4,923,559
Non-controlling interest (Note 4)	8,155,131	9,618,855
Net assets	174,854,341	129,073,024
Shareholders' equity		
Share capital (Note 6)	154,064,015	180,237,972
Contributed surplus (Note 7)	60,375,578	47,323,015
Deficit	(39,585,252)	(98,487,963)
Shareholders' equity representing net assets	174,854,341	129,073,024
Total liabilities and shareholders' equity	192,746,157	143,615,438
Number of shares outstanding (Note 6)	60,525,200	69,579,000
Net assets per share - basic and diluted	2.89	1.86

Approved by the Board:

 Director

 Director

Urbana Corporation

Consolidated statements of operations for the years ended December 31, 2013 and December 31, 2012

In Canadian \$

	2013	2012
	\$	\$
Gains/losses		
Loss on sale and disposal of investments	(22,997,564)	(15,940,920)
Investment income		
Dividends	2,995,516	5,143,548
Interest	111,870	251,658
Gain (loss) on foreign exchange	(19,747)	276
	3,087,639	5,395,482
Expenses		
Investment management fees (Note 8)	2,747,415	2,225,650
Interest	264,711	755,909
Foreign withholding taxes	16,721	615,737
Administrative	532,770	304,067
Transaction costs	754,384	819,495
Audit fees	104,447	117,425
Bad debts	431,039	-
Director fees	66,072	47,511
Shareholder reporting costs	46,245	30,650
Insurance	21,170	25,777
Legal fees	75	13,177
Independent Review Committee fees	7,659	6,156
License fees	1,896	1,630
	4,994,604	4,963,184
Net loss before unrealized net gain on foreign exchange and investments, non-controlling interest and income taxes	(24,904,529)	(15,508,622)
Change in unrealized net gain on foreign exchange and investments	82,343,516	27,396,269
Net income before non-controlling interest and income taxes	57,438,987	11,887,647
Non-controlling interest portion of loss	1,463,724	414,771
Net income before income taxes	58,902,711	12,302,418
Provision for income taxes (Note 10)		
Current	-	-
Future	-	(5,000,000)
	-	(5,000,000)
Total results of operations for the year	58,902,711	7,302,418
Basic and diluted income per share	0.90	0.10
Weighted average number of shares outstanding	65,209,123	71,337,987

Urbana Corporation

Consolidated statements of changes in net assets and deficit for the years ended December 31, 2013 and December 31, 2012

In Canadian \$

	2013	2012
	\$	\$
Net assets		
Shareholders' equity representing net assets, beginning of year	129,073,024	126,668,573
Operating activities		
Total results of operations for the year	58,902,711	7,302,418
Capital transactions (Notes 6 and 7)		
Normal course issuer bid repurchases payments	(13,121,394)	(4,897,967)
Net assets, end of year	174,854,341	129,073,024
Deficit		
Deficit, beginning of year	(98,487,963)	(105,790,381)
Total results of operations for the year	58,902,711	7,302,418
Deficit, end of year	(39,585,252)	(98,487,963)

Urbana Corporation

Consolidated statements of cash flows

for the years ended December 31, 2013 and December 31, 2012

In Canadian \$

	2013	2012
	\$	\$
Operating activities		
Total results of operations for the year	58,902,711	7,302,418
Items not affecting cash		
Loss on sale and disposal of investments	22,997,564	15,940,920
Unrealized net gain (loss) on foreign exchange and investments	(82,343,516)	(27,396,269)
Non-controlling interest portion of loss	(1,463,724)	(414,771)
Provision for future income taxes	-	5,000,000
	(1,906,965)	432,298
Net change in non-cash working capital items		
Interest receivables		-
Sundry receivables	(869,738)	65,604
Prepaid expenses	(1,013)	4,761
Accounts payable and accrued liabilities	(3,886,874)	4,058,612
	(4,757,625)	4,128,977
Cash flow (used in) from operating activities	(6,664,590)	4,561,275
Financing activities		
Proceeds from loan payable	8,700,000	-
Repayments of loan payable	-	(13,600,000)
Normal course issuer bid repurchases payments	(13,121,394)	(4,897,967)
Cash flow (used in) from financing activities	(4,421,394)	(18,497,967)
Investing activities		
Purchases of investments	(84,103,159)	(26,765,283)
Proceeds on sale of investments	91,912,619	43,991,126
Cash flow from (used in) investing activities	7,809,460	17,225,843
Net change in cash during the year	(3,276,524)	3,289,151
Cash and cash equivalents, beginning of year	5,997,296	2,708,145
Cash and cash equivalents, end of year	2,720,772	5,997,296
Supplemental disclosure		
Amount of interest paid	255,265	824,326

Urbana Corporation

Consolidated statements of investment portfolio

as at December 31, 2013

In Canadian \$

Number of shares	Description	Cost \$	2013 Fair value \$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	21,466,297
10,324,506	CNSX Markets Inc. common stock	4,995,936	6,194,704
32	Minneapolis Grain Exchange (seats)	7,279,359	4,760,000
169,341	Budapest Stock Exchange (shares)	4,761,242	2,231,346
759,000	Caldwell Financial Ltd.	1,707,750	1,867,140
2,674,532	2232057 Ontario Inc. (Investment in StoneCap Securities Inc.) (Note 12)	2,502,451	-
500,040	Radar Capital Fund 1 Limited Partnership	500,040	500,040
3,750,000	Real Matters Inc.	4,500,000	4,500,000
		76,767,461	41,519,527
Publicly traded securities			
850,000	CBOE Holdings Inc.	28,104,121	46,965,917
55,640	Intercontinental Exchange Group Inc.	11,556,000	13,304,556
300,000	Citigroup Inc.	12,758,458	16,627,259
1,200,000	Bank of America Corp.	14,386,684	19,872,302
250,000	Manulife Financial Corp.	3,817,483	5,237,500
125,000	Sun Life Financial Inc.	3,563,270	4,688,750
600,000	AGF Management Ltd.	7,788,268	7,962,000
610,000	Barrick Gold Corp.	11,091,915	11,414,413
600,000	Morgan Stanley	14,411,923	20,006,316
		107,478,122	146,079,013
Other			
2,500,000	2232057 Ontario Inc. *	2,500,000	1,500,000
		2,500,000	1,500,000
		186,745,583	189,098,540

* The Company holds a unsecured subordinated promissory note with a current yield of 10% and a maturity date of March 12, 2015. (Note 12)

** In addition, the Company holds 24,683 of Bermuda Stock Exchange (shares) which have been written off.

Urbana Corporation

Consolidated statements of investment portfolio as at December 31, 2012

In Canadian \$

Number of shares	Description	Cost \$	2012 Fair value \$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	26,092,438
7,151,406	CNSX Markets Inc. common stock	3,701,672	2,860,562
27	Minneapolis Grain Exchange (seats)	6,585,622	2,688,390
169,341	Budapest Stock Exchange (shares)	4,761,242	2,000,693
759,000	Caldwell Financial Ltd.	1,707,750	1,631,850
2,674,532	2232057 Ontario Inc. (Investment in StoneCap Securities Inc.)	2,502,451	1,144,958
6,000	iCanTrade Corp.	150,000	-
1,201,727	2232057 Ontario Inc., Warrants	-	-
		69,929,420	36,418,891
Publicly traded securities			
1,485,000	CBOE Holdings Inc.	49,099,552	43,530,411
1,300,000	NYSE Euronext	82,547,888	40,812,747
150,000	Citigroup Inc.	5,704,536	5,911,471
500,000	Bank of America Corp.	5,342,130	5,780,038
60,000	Manulife Financial Corp.	739,600	808,800
30,000	Sun Life Financial Inc.	623,716	790,200
10,000	TMX Group Inc.	424,015	507,000
68,500	Jovian Capital Corp.	567,349	428,810
8,000	Argent Energy Trust	74,400	73,680
		145,123,186	98,643,157
Other			
2,500,000	2232057 Ontario Inc. *	2,500,000	2,500,000
		2,500,000	2,500,000
		217,552,606	137,562,048

* The Company holds a unsecured subordinated promissory note with a current yield of 10% and a maturity date of March 12, 2013.

** In addition, the Company holds 24,683 of Bermuda Stock Exchange (shares) which have been written off.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

Urbana Corporation ("Urbana" or the "Company") is an investment company originally incorporated as a mineral exploration company named Macho River Gold Mines Limited under the Companies Act (Ontario) on August 25, 1947. A change of business application from a mining issuer to an investment issuer was approved by the TSX Venture Exchange in July, 2005. The Company is now considered a "non-redeemable investment fund" and an "investment fund" for the purposes of applicable securities laws and is listed on the Toronto Stock Exchange ("TSX").

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.

1. Summary of significant accounting policies

These consolidated financial statements of Urbana have been prepared by management in accordance with Part V Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies followed by the Company in the preparation of the financial statements.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to the valuation of level 3 investments and realization of the future income tax asset.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its 58.54% (2012-58.54%) owned subsidiary, Caldwell India Holdings Inc., and its wholly owned subsidiaries. All inter-company transactions have been eliminated.

Capital management

The Chartered Professional Accountants of Canada ("CPA Canada") Handbook Section 1535 Capital Disclosures requires the disclosure of information that enables users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

Foreign exchange

The monetary assets and liabilities of the Company's integrated foreign subsidiaries are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average exchange rates for the year. Foreign exchange gains and losses are included in the statement of operations for the year.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

1. Summary of significant accounting policies (continued)

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, investments, sundry receivables, loan payable and accounts payable and accrued liabilities.

The carrying values of cash and cash equivalents, sundry receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term maturities. The carrying value of loan payable approximates its fair value as the interest rate on the loan is variable. Investments are classified as held-for-trading financial instruments, and as such, are recorded at fair value.

Valuation of investments

The Company is an investment company as defined in Accounting Guideline 18 - "Investment Companies". In accordance with this accounting guideline, investments are measured at fair value. The securities which are actively traded are valued at the closing bid price on the recognized stock exchange on which the securities are listed or principally traded.

The Minneapolis Grain Exchange ("MGEX") and the Kansas City Board of Trade ("KCBT") are valued based on the current price of a seat, as quoted by the respective exchanges.

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. During the initial period after an investment has been made, cost translated using the year end foreign currency exchange rate may represent the most reasonable estimate of fair value. Unrealized gains and losses on investments are recognized in the consolidated statements of operations.

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. 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.

Fair value hierarchy

The Company classifies fair value measurements 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;

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Refer to Note 2 for the classification of the fair value measurements.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

1. Summary of significant accounting policies (continued)

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the Consolidated statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average basis.

Resource properties

Urbana has owned resource properties in Urban Township, Quebec for a number of years. Accounting Guideline 11 in the CPA Canada 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 in the area.

Future income taxes

The Company accounts for income taxes using the liability method, whereby future 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 year is the tax payable for the year and any change during the year in the future tax assets and liabilities. A valuation allowance is provided to the extent that it is more likely than not that future tax assets will not be realized.

Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Realized gains and losses from investment transactions and unrealized net gain or loss on foreign exchange and investments are calculated on an average cost basis.

Earnings per share

Basic earnings per share is computed by dividing the total results of operations for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share reflects the assumed conversion of all dilutive securities using the "treasury stock" method for purchase warrants and stock options.

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;

Level 3 — Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

2. Fair value measurement (continued)

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2013 and December 31, 2012:

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	2,720,772	-	-	2,720,772
Publicly traded securities	146,079,013	-	-	146,079,013
Privately owned entities	-	4,760,000	36,759,527	41,519,527
Other	-	-	1,500,000	1,500,000
	148,799,785	4,760,000	38,259,527	191,819,312

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	5,997,296	-	-	5,997,296
Publicly traded securities	98,643,157	-	-	98,643,157
Privately owned entities	-	2,688,390	33,730,501	36,418,891
Other	-	-	2,500,000	2,500,000
	104,640,453	2,688,390	36,230,501	143,559,344

During the year ended December 31, 2013 and December 31, 2012 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

December 31, 2013	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	33,730,501	2,500,000	36,230,501
Purchases	6,144,304	-	6,144,304
Sales	-	-	-
Change in unrealized (losses) on foreign exchange and investments	(3,115,278)	(1,000,000)	(4,115,278)
Transfers	-	-	-
Ending balance	36,759,527	1,500,000	38,259,527

December 31, 2012	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	34,200,366	3,518,250	37,718,616
Purchases	4,487,253	-	4,487,253
Sales	-	(2,053,600)	(2,053,600)
Change in unrealized (losses) on foreign exchange and investments	(4,957,118)	1,035,350	(3,921,768)
Transfers	-	-	-
Ending balance	33,730,501	2,500,000	36,230,501

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

2. Fair value measurement (continued)

For the years ended December 31, 2013 and 2012, there were no transfers into/out of Level 3 investments. For the years ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2. The following summary shows the potential impact on the fair value of the Level 3 investments by using reasonable possible alternative assumptions as follows:

Where the major assumption is a market multiple, an increase or decrease in the multiple by plus or minus one will result in a \$1.6 million (December 31, 2012 - \$2.3 million) change in the fair value.

Where the major assumption is share price, an increase or decrease of 10% in the price will result in a \$0.5M (December 31, 2012 - \$0.1M) change in the fair value.

No sensitivity has been performed for investments sold subsequent to December 31, 2013.

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 and cash equivalents 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, 2013, the Company had \$1.5 million (December 31, 2012 - \$2.5 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of net assets.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligation when due. The Company's obligations are due within one year. As at December 31, 2013, the Company had a demand loan for \$8,700,000 (December 31, 2012 - \$Nil), representing 5.0% (December 31, 2012 - 0.0%) of net assets. 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 5). The Company's common shares and Class A shares cannot be redeemed by shareholders. The Company endeavors to maintain sufficient liquidity to meet its expenses.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investment rises. When the value of the Canadian dollar rises, the value of foreign investment falls.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

3. Financial instruments and risk management (continued)

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2013 and December 31, 2012.

Currency	December 31, 2013	December 31, 2012
	As % of net assets	As % of net assets
	%	%
United States Dollars	70.69	76.49
Indian Rupee	12.28	20.22
Other	1.28	1.55
	84.25	98.26

The Company's net assets would decrease or increase by approximately \$7,365,542 (December 31, 2012 - \$6,340,809) 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.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as loans 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. There is a reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

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

	Less than 1 year	1 – 3 years	3 – 5 Years	Over 5 years	Total
	\$	\$	\$	\$	\$
Financial asset - bonds					
December 31, 2013	-	1,500,000	-	-	1,500,000
December 31, 2012	-	2,500,000	-	-	2,500,000
Loan payable					
December 31, 2013	8,700,000	-	-	-	8,700,000
December 31, 2012	-	-	-	-	-

As at December 31, 2013, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased, respectively, by approximately \$ 42,411 (December 31, 2012 - \$Nil). 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.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

3. Financial instruments and risk management (continued)

Other market risk (continued)

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, 2013, 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 \$14,607,901 (December 31, 2012 - \$9,864,316) (approximately 8.35 % (December 31, 2012 - 7.64%) of total net assets). In practice, the actual results may differ materially. Management is unable to meaningfully quantify any correlation of the price of its privately owned equities to changes in a benchmark index.

Capital management

Management manages the capital of the Company which consists of the net assets, in accordance with the Company's investment objectives. The Company is not subject to any capital requirements imposed by a regulator. The Company must comply with the covenants on the loan payable (Note 5).

4. Subsidiaries

Caldwell India Holdings Inc.

During 2007, the Company subscribed for 100 common shares, at US\$1 per share, for Caldwell India Holdings Inc. ("CIHI"). CIHI then issued 4,051,300 investor shares (non-voting) at US\$10 per share of which the Company subscribed for 2,400,000, representing 59.24% of the issued share capital of CIHI. The total proceeds for the CIHI shares issued were \$44,843,950, of which the Company provided \$26,565,556. The remaining \$18,278,394 which is owned by other investment funds managed by Caldwell Investment Management Ltd. was accounted for as a non-controlling interest. CIHI used the proceeds of the share issuance to purchase 308,888 equity shares of the Bombay Stock Exchange ("BSE"). In 2010, the Company sold 28,507 investor shares of CIHI with a cost base of \$306,045 for cash proceeds of \$248,676. Consequently, the Company's investment in CIHI represents a 58.54% interest in the issued share capital of CIHI.

Non-controlling interest consists of the following:

	Year ended December 31, 2013	Year ended December 31, 2012
	\$	\$
Non-controlling interest, beginning of year	9,618,855	10,033,626
Share of net (loss)	(1,463,724)	(414,771)
Non-controlling interest, end of year	8,155,131	9,618,855

Urbana Mauritius Inc.

In June 2009, Urbana set up a wholly owned subsidiary in Mauritius, Urbana Mauritius Inc. ("UMI"), to facilitate future investments in India. As at December 31, 2013, UMI owns 791,000 (December 31, 2012 - 791,000) equity shares of the BSE.

5. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. In July 2009 the loan facility agreement was amended to allow the Company to borrow up to \$15,000,000 from the Bank of Montreal at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 2.5% (prior to April 2013, 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 the Company's assets and allows the Company to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2013, the outstanding balance of the loan was \$8,700,000 (December 31, 2012 - \$Nil) which is the fair value of the loan. As at December 31, 2013, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

Urbana Corporation

Notes to the consolidated financial statements December 31, 2013 and 2012

6. Share capital

At December 31, share capital consists of the following:

	Year ended December 31, 2013		Year ended December 31, 2012	
	Number	Amount \$	Number	Amount \$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
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
Issued - non-voting Class A shares				
Balance, beginning of year	59,579,000	172,239,079	64,408,000	186,415,197
Normal Course Issuer Bid Redemption (a)	(9,053,800)	(26,173,957)	(4,829,000)	(14,176,118)
Balance, end of year	50,525,200	146,065,122	59,579,000	172,239,079
Total	60,525,200	154,064,015	69,579,000	180,237,972

- a) 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.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2013 and 2012

7. Contributed surplus

	2013	2012
	\$	\$
Balance, beginning of year	47,323,015	38,044,864
Normal course issuer bid repurchase discount	13,052,563	9,278,151
Balance, end of year	60,375,578	47,323,015

8. Related party transactions

Caldwell Financial Ltd ("CFL") and Urbana are under common management. Caldwell Investment Management Ltd. ("CIM") is a subsidiary of CFL.

Pursuant to a fund management and portfolio management agreement effective as of August 1, 2011 between the Company and CIM, the investment manager, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of the Company's investment portfolio. Prior to August 1, 2011, CIM charged an investment management fee equal to 1.5% per annum of the market value of the equity securities in the Company's investment portfolio and 0.50% of the market value of the fixed income securities in the Company's investment portfolio. The investment management fees are accrued and paid quarterly in arrears. In the year ended December 31, 2013 and December 31, 2012, investment management fees of \$2,747,415 and \$2,225,650 respectively were earned by CIM. For the years ended December 31, 2013 and December 31, 2012, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities are investment management fees of \$758,265 (2012 - \$534,565) payable to CIM. There are no other fees payable to related parties. Radar Capital Inc. ("RCI"), a venture 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.

All related party transactions are recorded at their exchange amounts.

9. Net asset value and net asset value

A comparison between the net asset value calculated for pricing purposes, the Transactional NAV, and the net asset value calculated in accordance with Section 3855 ("GAAP NAV"), is required to be disclosed in the financial statements.

	Transactional NAV per share	GAAP NAV per share
	\$	\$
As at December 31, 2013	2.89	2.89
As at December 31, 2012	1.86	1.86

The reason for the difference, if any, between the Transactional NAV and the GAAP NAV is that the Transactional NAV is based on the last sale prices and the GAAP NAV is based on bid prices.

Urbana Corporation

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December 31, 2013 and 2012

10. Income taxes

The Company's provision for income taxes for the year ended December 31, 2013 and for the year ended December 31, 2012 is summarized as follows:

	2013	2012
	\$	\$
Net income before income taxes	58,902,711	12,302,418
Expected income taxes payable at future rates - 26.5% (2012-25%)	15,609,218	3,075,605
Income tax effect of the following:		
Non-taxable portion of realized capital transactions losses	3,047,177	1,992,615
Non-taxable portion of unrealized capital losses	(10,910,516)	(3,424,534)
Non-controlling interest	(387,887)	(103,693)
True up	(976,593)	-
Change in tax rate	(455,759)	-
Valuation allowance	(5,986,720)	3,600,000
Other	61,080	(139,993)
	-	5,000,000

The components of the Company's future income tax (asset) are as follows:

	2013	2012
	\$	\$
Resource deductions available in perpetuity	(14,525)	(13,703)
Unrealized capital gains (losses) on investments	360,373	(5,752,656)
Tax on capital gains (Tax benefit of capital loss carryforwards)	(165,190)	(707,932)
Tax benefit of non-capital loss carryforwards (expiring 2031)	(1,793,937)	(1,121,686)
Valuation allowance	1,613,279	7,600,000
Other	-	(4,023)
	-	-

The Company has non-capital tax losses of \$6,769,574 (December 31, 2012 - \$4,486,744) and capital losses of \$1,246,719 (December 31, 2012 - \$5,663,453). The losses have not been recognized as future benefits as they are not expected to be realized.

11. Future changes in accounting standards

International Financial Reporting Standards ("IFRS")

Investment companies will be required to adopt 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 and management will assess the impact of any changes required related to this regulation. 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.

Urbana Corporation

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December 31, 2013 and 2012

12. Subsequent event

On January 27, 2014, Edgecrest Capital Holdings Inc. acquired from Urbana the subordinated loan to 2232057 Ontario Inc. as part of a transaction in which Edgecrest Capital Holdings Inc. acquired the operating subsidiaries of 2232057 Ontario Inc. The payment of the loan was by way of a promissory note in the amount of \$1,200,000.

On February 14, 2014, the 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 the Company, payable on March 17, 2014, to the Shareholders of record at the close of business on March 3, 2014.

URBANA
CORPORATION

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