

URBANA CORPORATION

2014

2014 ANNUAL REPORT

Corporate Information

EXECUTIVE OFFICE:

150 King Street West
Suite 1702, Toronto, Ontario
M5H 1J9
Telephone: (416) 595-9106
Facsimile: (416) 862-2498

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

Overall, 2014 was a positive year for Urbana Corporation (“Urbana”) with our net assets per share increasing by 15.30% on pre-tax basis.

Our marketable securities portfolio was well positioned with approximately 66% of our assets in U.S. dollar denominated securities, specifically U.S. financial companies.

In our Canadian holdings, AGF Management Ltd. significantly cut their dividend, which resulted in a share price decline. Toward the end of the year we began to move some assets into Canadian resource companies. This process will be slow, as many resource products may not yet have formed a base.

Canadian financial investments are also increasingly becoming of interest.

Within our private equity positions, India has experienced a new vitality under the leadership of Prime Minister Modi. We expect this optimism and confidence to enable the Indian government to move more quickly in allowing a public share offering of the Bombay Stock Exchange.

Most of our private equity investments are proceeding in a positive manner.

We may be adding to our Highview (investor advisory services) position in the first half of 2015.

The Canadian Securities Exchange is now profitable and we expect an independent trade to take place shortly at \$0.65 per share, up from our cost of \$0.49.

Real Matters Inc. (real estate appraisal services) is broadening both its customer base and its product range. We may add to our position in this very well run company.

Our investment successes over the past year dictate we must now take into account future tax liabilities if we were to liquidate our whole portfolio at current market prices. This allowance of \$2.87 million will be for “deferred taxes” and noted in our 2014 results.

The effect of this post year-end adjustment gives Urbana a year-end asset value per share of \$3.25 and a performance number of 14.33% for 2014, including the \$0.05 dividend paid on March 17, 2014

Subsequent to year-end our investment in OneChicago LLC, a single stock futures exchange, which we had written off some years ago, received a bid for 10% of our holdings at our original cost. Should a transaction occur, this will result in a write up of that asset in 2015 of approximately \$2.5 million.

On behalf of the Board of Directors

Thomas S. Caldwell, C.M.

[THIS PAGE INTENTIONALLY LEFT BLANK]

URBANA CORPORATION

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2014

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

2014 was a good year for Urbana Corporation. Our focus on major U.S. financial corporations and a heavy emphasis on the U.S. dollar served us well. On a pre-tax basis, our net assets per share increased by 15.30% for the year, taking into consideration the \$0.05 per share dividend paid to shareholders.

Our growth has now seen Urbana begin to exceed its realized accumulated tax losses. Although we do not have any current tax liabilities, accounting rules now require we account for potential

tax liabilities if we were to sell all of our existing holdings at current prices. This resulted in a post year-end adjustment of \$2.87 million for deferred taxes.

The Budapest Stock Exchange was written down by \$380,000 in February 2015 on the basis of information received after year end. International Financial Reporting Standards required this adjustment be moved back to the end of 2014. Urbana's investment in OneChicago LLC, which was written off in September 2011, has been re-instated as at year end on the basis of a recent third party bid.

With these post year-end adjustments, net assets per common share was \$3.25 as at December 31, 2014 compared to \$2.89 as at December 31, 2013, representing an increase of 14.33%, having adjusted for a dividend payment of \$0.05 per share in March 2014. 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 2014 was \$2,269,725 as compared to \$2,663,128 in 2013. During 2014, Urbana realized a gain of \$9,091,572 from the sales and dispositions of investments as compared to a realized loss of \$22,602,702 in 2013. As at December 31, 2014, change of net unrealized gains increased by \$17,304,840 from December 31, 2013. Realized portfolio gains/losses during the year included gains/losses in the sales/disposals of investments in CBOE shares (\$9.9 million gain), Manulife Financial Corp. (\$1.3 million gain), Sun Life Financial Inc. (\$1.2 million gain) and 2232057 Ontario Inc. (\$3.8 million loss). Unrealized portfolio gains/losses during the year included increases/decreases in the fair values of investments in Morgan Stanley (\$7.0 million increase), Caldwell India Holdings Inc. and Urbana Mauritius Inc. who primarily hold shares in the Bombay Stock Exchange (\$5.5 million increase), Minneapolis Stock Exchange (\$2.2 million increase), Budapest Stock Exchange, (\$475,000 decrease), Bank of America (\$5.0 million increase), Citigroup Inc. (\$1.9 million increase), CBOE Holdings Inc. (\$1.3 million increase), AGF Management Ltd. (\$3.6 million decrease), Barrick Gold Corp. (\$4.6 million decrease), Manulife Financial Corp. (\$1.4 million decrease) and Sun Life Financial Inc. (\$1.1 million decrease). Also included in unrealized portfolio gains was the reversal of the previous years' write-downs of the investments in 2232057 Ontario Inc. (\$3.8 million increase) in connection with the disposal of the investments.

Investment management fees for 2014 increased by \$353,986 (2014 - \$3,101,401 and 2013 - \$2,747,415) as a result of an increased investment portfolio. In 2014, foreign withholding taxes increased by \$74,516 (2014 - \$91,237 and 2013 - \$16,721) mainly due to foreign withholding taxes adjusted for previous years. Transaction costs decreased by \$927,809 (2014 - \$209,952 and 2013 - \$1,137,761).

Urbana's operations in 2014 resulted in a net gain of \$20,866,108 (a net gain of \$23,827,345 before foreign withholding taxes and provisions for deferred income taxes) as compared to a net gain of \$58,902,711 (a net gain of \$58,919,432 before the specified items) in 2013.

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. On March 2, 2015 the loan facility agreement was further amended to allow Urbana to borrow up to \$25,000,000. Interest is charged on the

outstanding balance of the loan facility at the Bank’s prime rate plus 1.25% (prior to March 2, 2015, the Bank’s prime rate plus 1.75%), 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, 2014, the outstanding balance of the loan was \$3,550,000 (2013 – \$8,700,000), representing 1.90% of the net assets of Urbana. The minimum and maximum amount borrowed during 2014 were \$0 and \$10,500,000 respectively.

Normal Course Issuer Bid

On August 27, 2014, the Toronto Stock Exchange (“TSX”) accepted Urbana’s notice of intention to conduct a normal course issuer bid to purchase up to 4,855,693 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, 2014, and will terminate on the earlier of August 28, 2015, 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 980,000 Non-Voting Class A Shares, being 2% of the 49,000,000 issued and outstanding Non-Voting Class A Shares as at August 26, 2014 (the date on which the notice was filed). As at December 31, 2014, Urbana has purchased 1,451,700 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.90 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, August 29, 2012 to August 28, 2013 and August 29, 2013 to August 28, 2014 (“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, 5,989,067 Non-Voting Class A Shares at \$1.18 per share and 5,386,000 Non-Voting Class A Shares at \$1.78 per share.

Acquisitions and Dispositions of Investments

During 2014, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investments	Quantity (units/shares)	Costs (\$)
Caldwell Growth Opportunities Trust	406,066	3,400,000
Highview Investments Limited Partnership	3,000,000	3,000,000
Radar Capital Fund 1 Limited Partnership	2,750,000	2,750,000
AGF Management Ltd.	200,000	2,412,370

Barrick Gold Corp.	90,000	1,946,749
Franco Nevada Corp.	25,950	1,691,376
Citigroup Inc.	30,000	1,587,259
Horizons BetaPro	100,000	1,395,895
Edgecrest Capital Holdings Inc. promissory note	1,200,000	1,200,000
Highview Financial Holdings Inc.	1,000,000	1,000,000
Canadian Natural Resources	20,000	689,993
Suncor Energy	20,000	684,000
CNSX Markets Inc. common stock	477,544	286,527

Dispositions

Investments	Quantity (units/shares)	Cost (\$)	Proceeds (\$)
CBOE Holdings Inc.	350,000	11,572,285	21,465,371
Manulife Financial Corp.	250,000	3,817,483	5,140,610
Sun Life Financial Inc.	125,000	3,563,270	4,760,070
Intercontinental Exchange Group Inc.	10,640	2,209,846	2,379,785
Citigroup Inc.	30,000	1,275,846	1,628,967
Horizons BetaPro	100,000	1,395,895	1,293,626
2232057 Ontario Inc. subordinated loan	2,500,000	2,500,000	1,200,000
2232057 Ontario Inc.	2,674,532	2,502,451	\$0

Mining Claims

Urbana has owned resource properties in Urban Township, Quebec for a number of years. All development costs have been written off as no expenditures on exploration or evaluation have occurred since 2005. 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 was some limited exploration activity in Urban Township by other companies with land positions in the area. During 2014, Urbana entered into a joint exploration agreement with a neighbouring company, Beaufield Resources Inc., to explore the Urbana Township region. Urbana expects its share of the costs of this current program to be approximately \$300,000.

Recent Developments

As required by the Canadian Accounting Standards Board, the Company adopted the International Financial Reporting Standards (“IFRS”) basis of accounting, effective January 1, 2014. For all fiscal years up to and including the year ended December 31, 2013, the Company’s financial statements conformed to Part V Canadian Generally Accepted Accounting Principles (“Canadian GAAP”), per CPA Canada Handbook – Accounting. For details of the impact of the adoption of IFRS by the Company, refer to note 1 to the Company’s 2014 financial statements.

Dividend Policy and Dividend Declared

On February 14, 2014, the board of directors of Urbana (the “Board”) 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, 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 January 8, 2015, the Board passed a resolution to amend the dividend policy by changing the timing of payment of the annual dividend from March each year to as soon as practical after the end of each year.

On January 8, 2015, 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 January 30, 2015, to the Shareholders of record at the close of business on January 20, 2015. 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 2014 and 2013, investment management fees of \$3,101,401 and \$2,747,415 respectively were earned by CIM in connection with its services to Urbana. For the year ended December 31, 2014, CIM absorbed no expenditures relating to Urbana (2013 - \$nil). As at December 31, 2014 there was an investment management fee payable of \$815,549 (December 31, 2013 – \$758,265) to CIM. There were no other fees payable to related parties as at December 31, 2014.

Caldwell Securities Ltd, a sister company of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to CIM. Urbana also conducts its trades through other unrelated dealers.

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)					
	2014	2013	2012	2011	2010
Net assets, beginning of year	\$2.89	\$1.86	\$1.70	\$1.83	\$2.00
Realized gain(loss) for the year	0.15	(0.35)	(0.22)	(0.11)	(0.07)
Unrealized gain(loss) for the year	0.29	1.26	0.38	(0.09)	(0.22)
Total investment income for the year	0.04	0.05	0.08	0.06	0.09
Total expenses for the year, including future taxes ⁽³⁾ , and non-controlling interest portion of gain/loss	(0.13)	(0.07)	(0.06)	(0.01)	(0.02)
Distributions	(0.05)	Nil	Nil	Nil	Nil
Increase in contributed surplus from NCIB purchases	0.05	0.22	0.13	0.15	0.11
Net assets, end of year ⁽⁴⁾	3.25	2.89	1.86	1.70	1.83

- (1) This information is derived from Urbana's audited annual financial statements. The accounting principles applicable to 2014 were IFRS and to all periods prior to 2014 were Canadian GAAP.
- (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.

	2014	2013	2012	2011	2010
Total net asset value(000's) ⁽¹⁾	\$187,135	\$174,854	\$129,073	\$126,669	\$148,103
Shares outstanding ⁽¹⁾	57,548,300	60,525,200	69,579,000	74,408,000	81,066,100
Management expense ratio including share issuance costs ⁽²⁾	2.70%	2.68%	3.45%	3.20%	2.76%
Management expense ratio excluding share issuance costs	2.70%	2.68%	3.45%	3.20%	2.76%
Management expense ratio excluding share issuance costs and foreign withholding taxes.	2.65%	2.67%	2.93%	2.89%	2.14%
Management expense ratio excluding share issuance costs, foreign withholding taxes and interest.	2.51%	2.50%	2.31%	2.32%	1.98%
Management expense ratio excluding share issuance costs, foreign withholding taxes and interest, before waivers or absorptions	2.51%	2.50%	2.31%	2.32%	1.98%
Portfolio turnover ratio ⁽³⁾	12.00%	52.02%	21.65%	5.56%	7.21%
Trading expense ratio ⁽⁴⁾	0.11%	0.48%	0.63%	0.08%	0.44%
Net asset value per share	\$3.25	\$2.89	\$1.86	\$1.70	\$1.83
Closing market price (common)	\$2.09	\$1.85	\$1.00	\$0.89	\$1.29
Closing market price (Class A)	\$1.97	\$1.88	\$0.97	\$0.89	\$1.23

- (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, 2014, CIM earned \$3,101,401 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

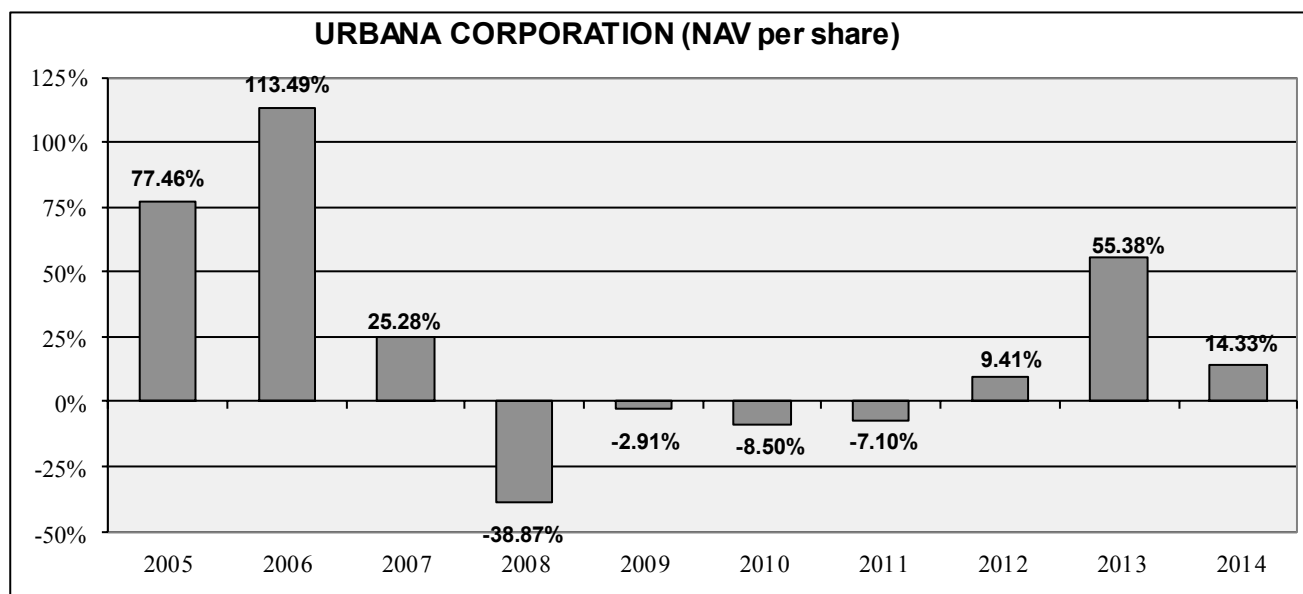
PAST PERFORMANCE

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.

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, 2014), 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	14.33%	24.80%	10.56%	1.56%	16.62%	16.62%
Urbana Common Shares (Market)	12.97%	32.92%	6.72%	n/a	6.92%	6.92%
Urbana Class A Shares (Market)	4.79%	30.32%	5.32%	-5.14%	n/a	n/a
S&P/TSX Composite Index ⁽²⁾	7.42%	6.97%	4.49%	1.98%	4.70%	4.70%

(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

As at December 31, 2014

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					
2,350,699	Caldwell India Holdings Inc. ¹	25,599,727	15,660,533	8.06%	8.39%
791,000	Urbana Mauritius Inc. ²	7,313,848	5,198,697	2.67%	2.78%
10,802,050	CNSX Markets Inc. common stock	5,282,463	6,481,230	3.33%	3.47%
32	Minneapolis Grain Exchange	7,279,359	7,005,096	3.60%	3.75%
169,341	Budapest Stock Exchange	4,761,242	1,756,304	0.90%	0.94%
759,000	Caldwell Financial Ltd.	1,707,750	2,352,900	1.21%	1.26%
3,250,040	Radar Capital Fund 1 Limited Partnership	3,250,040	3,250,040	1.67%	1.74%
3,750,000	Real Matters Inc.	4,500,000	4,500,000	2.31%	2.41%
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000	1.54%	1.61%
406,066	Caldwell Growth Opportunities Trust	3,400,000	4,280,017	2.20%	2.29%
56	Urbana Special Investment Holdings Ltd. ³	3,175,830	500,000	0.26%	0.27%
50	Urbana SRL Inc.	50	50	0.00%	0.00%
50	Radar Capital Inc.	50	50	0.00%	0.00%
Publicly traded securities					
500,000	CBOE Holdings Inc.	16,531,836	36,728,107	18.89%	19.67%
45,000	Intercontinental Exchange Group Inc.	9,346,153	11,429,669	5.88%	6.12%
300,000	Citigroup Inc.	13,069,871	18,801,872	9.67%	10.07%
1,200,000	Bank of America Corp.	14,386,684	24,865,311	12.79%	13.32%
800,000	AGF Management Ltd.	10,200,638	6,792,000	3.49%	3.64%
20,000	Canadian Natural Resources	689,993	718,400	0.37%	0.38%

25,950	Franco Nevada Corp.	1,691,376	1,484,600	0.76%	0.80%
20,000	Suncor Energy	684,000	738,000	0.38%	0.40%
700,000	Barrick Gold Corp.	13,038,664	8,759,871	4.51%	4.69%
600,000	Morgan Stanley	14,411,923	26,964,060	13.87%	14.44%
Other					
1,200,000	Edgecrest Capital Holdings Inc. ⁴	1,200,000	1,200,000	0.62%	0.64%
1,000,000	Highview Financial Holdings Inc. ⁵	1,000,000	1,000,000	0.51%	0.54%
	Cash and Cash Equivalents	920,032	920,032	0.47%	0.49%
Total		<u>166,441,529</u>	<u>194,386,839</u>	100.00%	104.11%

¹Urbana owns 58.54% of the outstanding shares of Caldwell India Holdings Inc, which holds 4,015,544 equity shares of the Bombay Stock Exchange.

²Urbana Mauritius Inc. is a wholly-owned subsidiary of Urbana and holds 791,000 equity shares of the Bombay Stock Exchange.

³Urbana Special Investment Holdings Ltd. is a wholly owned subsidiary of Urbana and holds 56 equity shares of OneChicago LLC. Subsequently to the year end, Urbana entered into an agreement to sell 10% of its investments in One Chicago LLC.

⁴The Corporation holds an unsecured subordinated 8% promissory note, \$500,000 of which is repayable on February 12, 2015 and the remaining \$700,000 repayable on February 12, 2016.

⁵The Corporation holds an unsecured subordinated 6.25% promissory note repayable on October 22, 2016.

In addition, the Corporation holds 24,683 Bermuda Stock Exchange shares, which have been written off.

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

Audited financial statements of

Urbana Corporation

December 31, 2014, December 31, 2013 and January 1, 2013

Urbana Corporation

December 31, 2014, December 31, 2013 and January 1, 2013

Table of contents

Independent Auditor's Report	1-2
Statements of financial position	3
Statements of comprehensive income	4
Statements of changes in deficit	5
Statements of cash flows	6
Schedule of investment portfolio	7
Notes to the financial statements	8-22

Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying financial statements of Urbana Corporation, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, the statements of comprehensive income, statements of changes in deficit and statements of cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2014, December 31, 2013 and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Selwitt LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
March 24, 2015

Urbana Corporation

Statements of financial position

(In Canadian dollars)

	December 31, 2014	December 31, 2013	January 1, 2013
	\$	\$	\$
Assets			
Cash and cash equivalents	920,032	676,774	4,232,076
Investments, at fair value (Note 3)	193,466,807	182,954,875	129,676,657
Sundry receivables (Note 7)	136,717	895,523	25,892
Prepaid expenses	18,043	18,943	19,053
	194,541,599	184,546,115	133,953,678
Liabilities			
Loan payable (Note 5)	3,550,000	8,700,000	-
Deferred tax liability (Note 8)	2,870,000	-	-
Accounts payable and accrued liabilities (Note 7)	986,507	991,774	4,880,654
	7,406,507	9,691,774	4,880,654
Shareholders' equity			
Share capital (Note 6)	145,457,987	154,064,015	180,237,972
Contributed surplus	63,396,249	60,375,578	47,323,015
Deficit	(21,719,144)	(39,585,252)	(98,487,963)
Shareholders' equity representing net assets	187,135,092	174,854,341	129,073,024
Total liabilities and shareholders' equity	194,541,599	184,546,115	133,953,678
Number of shares outstanding (Note 6)	57,548,300	60,525,200	69,579,000
Net assets per share - basic and diluted	3.25	2.89	1.86

Approved by the Board:



Director



Director

See accompanying notes.

Urbana Corporation

Statements of comprehensive income

for the years ended December 31, 2014 and December 31, 2013

(In Canadian dollars)

	2014	2013
	\$	\$
Revenue		
Net realized gain (loss) on sale and disposal of investments	9,091,572	(22,602,702)
Net change in unrealized gain on foreign exchange and investments	17,304,840	83,960,279
Dividends	2,269,725	2,663,128
Interest	91,519	111,870
Total operating income	28,757,656	64,132,575
Expenses		
Investment management fees (Note 7)	3,101,401	2,747,415
Transaction costs	209,952	1,137,761
Interest	252,344	263,979
Administrative	521,872	410,447
Audit fees	107,217	89,020
Director fees	60,000	58,333
Shareholder reporting costs	35,800	46,245
Insurance	21,960	21,170
Legal fees	6,155	75
Custody	8,754	-
Independent Review Committee fees	15,617	7,659
Bad debts (Note 7)	589,239	431,039
	4,930,311	5,213,143
Net income before income taxes	23,827,345	58,919,432
Foreign withholding taxes	91,237	16,721
Provision for deferred income taxes (Note 8)	2,870,000	-
Total profit for the year	20,866,108	58,902,711
Basic and diluted earnings per share	0.35	0.90
Weighted average number of shares outstanding	59,368,646	65,209,123

See accompanying notes.

Urbana Corporation

Statement of changes in deficit

for the years ended December 31, 2014 and December 31, 2013

(In Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance at January 1, 2013	180,237,972	47,323,015	(98,487,963)	129,073,024
Profit for the year	-	-	58,902,711	58,902,711
Normal course issuer bid payment/redemption	(26,173,957)	13,052,563	-	(13,121,394)
Balance at December 31, 2013	154,064,015	60,375,578	(39,585,252)	174,854,341
Profit for the year	-	-	20,866,108	20,866,108
Dividends paid	-	-	(3,000,000)	(3,000,000)
Normal course issuer bid payment/redemption	(8,606,028)	3,020,671	-	(5,585,357)
Balance at December 31, 2014	145,457,987	63,396,249	(21,719,144)	187,135,092

See accompanying notes.

Urbana Corporation

Statements of cash flows

for the years ended December 31, 2014 and December 31, 2013

(In Canadian dollars)

	2014	2013
	\$	\$
Operating activities		
Total results of operations for the year	20,866,108	58,902,711
Items not affecting cash		
Loss (gain) on sale and disposal of investments	(9,091,572)	22,602,702
Unrealized net gain (loss) on foreign exchange and investments	(17,304,840)	(83,960,279)
Provision for future income taxes	2,870,000	-
	(2,660,304)	(2,454,866)
Net change in non-cash working capital items		
Sundry receivables	758,806	(869,631)
Prepaid expenses	900	110
Accounts payable and accrued liabilities	(5,267)	(3,888,880)
	754,439	(4,758,401)
Cash used in operating activities	(1,905,865)	(7,213,267)
Financing activities		
Proceeds from loan payable	-	8,700,000
Repayment of loan payable	(5,150,000)	
Dividends paid	(3,000,000)	-
Normal course issuer bid repurchases payments	(5,585,357)	(13,121,394)
Cash used in financing activities	(13,735,357)	(4,421,394)
Investing activities		
Purchases of investments	(22,044,169)	(84,103,159)
Proceeds on sale of investments	37,928,649	92,182,518
Cash flow from investing activities	15,884,480	8,079,359
Net change in cash during the year	243,258	(3,555,302)
Cash and cash equivalents, beginning of year	676,774	4,232,076
Cash and cash equivalents, end of year	920,032	676,774
Supplemental disclosure		
Amount of interest paid	252,344	255,265

See accompanying notes.

Urbana Corporation

Schedule of investment portfolio as at December 31, 2014

(In Canadian dollars)

Number of shares	Description	Cost \$	Fair value \$
Privately owned entities			
2,350,563	Caldwell India Holdings Inc. (i)	25,599,727	15,660,533
791,000	Urbana Mauritius Inc. (ii)	7,313,848	5,198,697
10,802,050	CNSX Markets Inc. common stock	5,282,463	6,481,230
32	Minneapolis Grain Exchange (seats)	7,279,359	7,005,096
169,341	Budapest Stock Exchange (shares)	4,761,242	1,756,304
759,000	Caldwell Financial Ltd. (Note 7)	1,707,750	2,352,900
3,250,040	Radar Capital Fund 1 Limited Partnership	3,250,040	3,250,040
3,750,000	Real Matters Inc.	4,500,000	4,500,000
50	Urbana SRL Inc.	50	50
50	Radar Capital Inc. (Note 7)	50	50
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000
406,066	Caldwell Growth Opportunities Trust	3,400,000	4,280,017
56	Urbana Special Investment Holdings Ltd. (iii)	3,175,830	500,000
		69,270,359	53,984,917
Publicly traded securities			
500,000	CBOE Holdings Inc.	16,531,836	36,728,107
45,000	Intercontinental Exchange Group Inc.	9,346,153	11,429,669
300,000	Citigroup Inc.	13,069,871	18,801,872
1,200,000	Bank of America Corp.	14,386,684	24,865,311
800,000	AGF Management Ltd.	10,200,638	6,792,000
20,000	Canadian Natural Resources	689,993	718,400
25,950	Franco Nevada Corp.	1,691,376	1,484,600
20,000	Suncor Energy	684,000	738,000
700,000	Barrick Gold Corp.	13,038,664	8,759,871
600,000	Morgan Stanley	14,411,923	26,964,060
		94,051,138	137,281,890
Other			
1,200,000	Edgecrest Capital Holdings Inc. (iv)	1,200,000	1,200,000
1,000,000	Highview Financial Holdings Inc. (v)	1,000,000	1,000,000
		2,200,000	2,200,000
		165,521,497	193,466,807

(i) Urbana owns 58.54% of the outstanding shares of Caldwell India Holdings Inc., which holds 4,015,544 equity shares of the Bombay Stock Exchange.

(ii) Urbana Mauritius Inc. is a wholly-owned subsidiary of Urbana which holds 791,000 equity shares of the Bombay Stock Exchange.

(iii) Urbana Special Investment Holdings Ltd is a wholly-owned subsidiary of Urbana which holds 56.44262 equity shares of OneChicago LLC.

(iv) The Company holds an unsecured subordinated 8% promissory note, \$500,000 of which is repayable on February 12, 2015 and the remaining \$700,000 is repayable on February 12, 2016.

(v) The Company holds an unsecured subordinated 6.25% promissory note repayable on October 22, 2016.

In addition to the investments listed above, the Company holds 24,683 Bermuda Stock Exchange (shares) which have been written off.

See accompanying notes.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

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 Company’s registered head office is Box 47, 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9.

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. First time adoption of IFRS

These are Urbana’s first annual audited Financial Statements prepared in accordance with International Financial Reporting Standards (“IFRS”). The date of transition to IFRS was January 1, 2013.

The Company’s IFRS accounting policies presented in Note 2 have been applied in preparing the Financial Statements for the year ended December 31, 2014, the comparative information and the opening Statement of Financial Position at the date of transition.

The Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* (“IFRS 1”), in preparing these first IFRS Financial Statements. IFRS 1 sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its Financial Statements. The Company is required to establish its IFRS accounting policies as at December 31, 2014 and, in general, apply these retrospectively to determine the IFRS opening Statement of Financial Position at its date of transition, January 1, 2013.

There is no impact on shareholders’ equity, net income and comprehensive income as a result of adopting IFRS.

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its Canadian Generally Accepted Accounting Principles (“GAAP”) consolidated financial statements as at January 1, 2013, December 31, 2013 and December 31, 2014 and its results of operations and changes in net assets for the year ended December 31, 2013.

Mandatory exceptions adopted

- a) Financial assets and liabilities that had been de-recognized before the date of transition to IFRS under Canadian GAAP have not been recognized under IFRS.
- b) The Company has used estimates under IFRS that are consistent with those applied under Canadian GAAP.

Impact of transition

The Company’s transition to IFRS has had no significant impact on the deficit as at January 1, 2013 and December 31, 2013 or the Statement of Comprehensive Income for the year ended December 31, 2013.

The Company reclassified certain amounts upon transition in order to conform to the accounting policies adopted under IFRS. The investments in the subsidiaries, Caldwell India Holdings Inc. (“CIHI”) and Urbana Mauritius Inc. (“UMI”), previously were consolidated and are now accounted for at fair value. Accordingly, certain account balances previously presented, such as non-controlling interest, are no longer shown on the Financial Statements and are reflected in the fair value of the investments.

As a result of the opening deficit not being impacted by the transition to IFRS, the reconciliations and disclosures required by IFRS 1 for the consolidated deficit at the transition date and the comparative year consolidated net income, changes in net assets and deficit and cash flows are not necessary and have not been presented in these Financial Statements.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

2. Summary of significant accounting policies

Basis of presentation

These Financial Statements present the financial position and results of operations of the Company in accordance with IFRS.

The Company qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements*:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgments or assumptions were made in determining that the Company meets the definition of an investment entity as defined in IFRS 10.

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets

Judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the year. Actual results could differ from those estimates. Significant judgements and estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax liability and the following:

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, Urbana is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39 "*Financial Instruments – Recognition and Measurement*". The most significant judgments made include the determination whether certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Functional and presentation currency

The Company considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars.

Segmented information

The Fund is organized as one main operating segment, namely the management of the Fund's investments in order to achieve the Fund's investment objectives.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

2. Summary of significant accounting policies (continued)

Foreign currency translation

The monetary assets and liabilities of the Company are translated into Canadian dollars, the Company's functional currency, at exchange rates in effect at the date of the statement of financial position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the Statement of Comprehensive Income for the year. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills, commercial paper and bankers' acceptances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, investments, sundry receivables, loan payable and accounts payable. The Company recognizes financial instruments at fair value upon initial recognition.

Investments have been designated at fair value through profit or loss ("FVTPL") with gains and losses recorded in net income. Cash and cash equivalents and sundry receivables are recorded as loans and receivables and are carried at amortized cost. Loan payable and accounts payable are recorded as other financial liabilities and are carried at amortized cost. The carrying values approximate their fair values due to their short-term maturities.

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13 "*Fair Value Measurement*". Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed or principally traded.

The Minneapolis Grain Exchange ("MGEX") is valued based on the current price of a seat, as quoted by the exchange.

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 Statements of Comprehensive Income.

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.

Refer to Note 3 for the classification of the fair value measurements.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

2. Summary of significant accounting policies (continued)

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Comprehensive Income. 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. All development costs have been written off as no expenditures on exploration or evaluation have occurred since 2005. 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. During 2014, Urbana entered into a joint exploration agreement with a neighboring company, Beaufield Resources Inc. to survey the Urban Township region.

Deferred income taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. Income tax expense for the year is the tax payable for the year and any change during the year in the deferred tax assets and liabilities. A valuation allowance is provided to the extent that it is not probable that deferred tax assets will be realized.

Investment transactions and income recognition

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

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

Earnings 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.

3. 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 financial statements

for the years ended December 31, 2014 and December 31, 2013

3. Fair value measurement (continued)

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	137,281,890	-	-	137,281,890
Privately owned entities	-	7,005,096	46,979,821	53,984,917
Other	-	-	2,200,000	2,200,000
	137,281,890	7,005,096	49,179,821	193,466,807

Level 3 valuation methods - December 31, 2014

Description	Fair value	Primary valuation technique used	Significant unobservable inputs	Range*
Private investments with no recent transactions				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	15,660,533	Analysis of comparable exchanges	P/E multiple	18.7-37.3
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	5,198,697	Analysis of comparable exchanges	P/E multiple	18.7-37.3
Budapest Stock Exchange	1,756,304	Analysis of comparable exchanges	EBITDA multiple	23.4
Caldwell Financial Ltd.	2,352,900	Prescribed formula in shareholder's agreement	N/A	N/A
Urbana Special Investment Holding Inc.	500,000	Recent offer	N/A	\$8,929
Private investments with access to recent transactions				
CNSX Markets Inc.	6,481,230	Market – subject company	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,280,017	Net asset value per unit	Net asset value per unit	N/A
Private investments with no market for resale				
Radar Capital Fund 1 Limited Partnership	3,250,040	Cost	N/A	N/A
Real Matters Inc.	4,500,000	Cost	N/A	N/A
Highview Investments Limited Partnership	3,000,000	Cost	N/A	N/A
Urbana SRL Inc.	50	Cost	N/A	N/A
Radar Capital Inc.	50	Cost	N/A	N/A
Private debt				
Highview Financial Holdings Inc.	1,000,000	Face value	N/A	N/A
Edgecrest Capital Holdings Inc.	1,200,000	Face value	N/A	N/A
Ending balance	49,179,821			

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

3. Fair value measurement (continued)

* Where it is not applicable, the range has not been provided for the unobservable input

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	146,079,013	-	-	146,079,013
Privately owned entities	-	4,760,000	30,615,862	35,375,862
Other	-	-	1,500,000	1,500,000
	146,079,013	4,760,000	32,115,862	182,954,875

Level 3 valuation methods - December 31, 2013

Description	Fair value	Primary Valuation technique used	Significant unobservable inputs	Range *
Private investments with no recent transactions				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	11,479,966	Analysis of comparable exchanges	P/E multiple	6.7-26.1
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	3,842,566	Analysis of comparable exchanges	P/E multiple	6.7-26.1
Budapest Stock Exchange	2,231,346	Analysis of comparable exchanges	EBITDA multiple	53.15
Caldwell Financial Ltd.	1,867,140	Prescribed formula in shareholder's agreement	N/A	N/A
Private investments with access to recent transactions				
CNSX Markets Inc.	6,194,704	Market – subject company	Recent transaction price	N/A
Private investments with no market for resale				
Radar Capital Fund 1 Limited Partnership	500,040	Cost	N/A	N/A
Real Matters Inc.	4,500,000	Cost	N/A	N/A
Urbana SRL Inc.	50	Cost	N/A	N/A
Radar Capital Inc.	50	Cost	N/A	N/A
Private debt				
2232057 Ontario Inc.	1,500,000	Face value	N/A	N/A
Ending balance	32,115,862			

*Where it is not applicable, the range has not been provided for the unobservable input

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

3. Fair value measurement (continued)

	January 1, 2013			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	98,643,157	-	-	98,643,157
Privately owned entities	-	2,688,390	25,845,110	28,533,500
Other	-	-	2,500,000	2,500,000
	98,643,157	2,688,390	28,345,110	129,676,657

Level 3 valuation methods- January 1, 2013

Description	Fair value	Primary Valuation technique used	Significant unobservable inputs	Range*
Private investments with no recent transactions				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	13,622,976	Analysis of comparable exchanges	P/E multiple	10-15
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	4,584,071	Analysis of comparable exchanges	P/E multiple	10-15
Budapest Stock Exchange	2,000,693	Analysis of comparable exchanges	EBITDA multiple	10.1
Caldwell Financial Ltd.	1,631,850	Prescribed formula in shareholder's agreement	N/A	N/A
Private investments with access to recent transactions				
CSNX Markets Inc.	2,860,562	Market – subject company	Recent transaction price	N/A
Private investments with no market for resale				
2232057 Ontario Inc.	1,144,958	Cost	N/A	N/A
Private debt				
2232057 Ontario Inc.	2,500,000	Face value	N/A	N/A
Ending balance	28,345,110			

* Where it is not applicable, the range has not been provided for the unobservable input

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

3. Fair value measurement (continued)

During the years ended December 31, 2014 and December 31, 2013 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	December 31, 2014		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	30,615,862	1,500,000	32,115,862
Purchases	9,436,527	2,200,000	11,636,527
Change in unrealized gains on foreign exchange and investments	9,429,883	-	9,429,883
Sales	(2,502,451)	(1,500,000)	(4,002,451)
Ending balance	46,979,821	2,200,000	49,179,821

	December 31, 2013		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	25,845,110	2,500,000	28,345,110
Purchases	6,144,304	-	6,144,304
Change in unrealized (losses) on foreign exchange and investments	(3,115,278)	(1,000,000)	(4,115,278)
Sales	-	-	-
Ending balance	30,615,862	1,500,000	32,115,862

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2014, December 31, 2013 and January 1, 2013 are as shown below:

Level 3 valuation methods- December 31, 2014

Description	Input	Sensitivity used*	Effect on fair value
Private investments with no recent transactions	P/E Multiple	1X	920,937
	EBITDA Multiple	1X	73,486
	N/A	10%	285,290
Private investments with access to recent transactions	Recent transaction price	10%	648,123
	Net asset value per unit	10%	428,002
Private investments with no market for resale	Cost	10%	1,075,014
Private debt	Face value	10%	220,000

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

3. Fair value measurement (continued)

Level 3 valuation methods- December 31, 2013

Description	Input	Sensitivity used*	Effect on fair value
Private investments with no recent transactions	P/E Multiple	1X	1,038,112
	EBITDA Multiple	1X	41,982
	N/A	10%	187,714
Private investments with access to recent transactions	Recent transaction price	10%	619,470
Private investments with no market for resale	Cost	10%	500,014
Private debt	Face value	10%	120,000

Level 3 valuation methods- January 1, 2013

Description	Input	Sensitivity used*	Effect on fair value
Private investments with no recent transactions	P/E Multiple	1X	1,385,620
	EBITDA Multiple	1X	198,088
	N/A	10%	163,185
Private investments with access to recent transactions	Recent transaction price	10%	286,056
Private investments with no market for resale	Cost	10%	114,496
Private debt	Face value	10%	250,000

*The sensitivity analysis refers to a percentage or multiple added or deducted from the input and the effect this has on the fair value while all other variables were held constant.

For the years ended December 31, 2014 and December 31, 2013, there were no transfers into/out of Level 1, Level 2 and Level 3 investments.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

4. 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, 2014, the Company holds approximately \$2.2 million (December 31, 2013 - \$1.5 million; January 1, 2013 - \$2.5 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer and the security provided against the outstanding amount. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligation when due. The following tables detail the Funds' remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

	December 31, 2014		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	3,550,000	-	3,550,000
Accounts Payable and accrued liabilities	-	986,507	986,507
	3,550,000	986,507	4,536,507

	December 31, 2013		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	8,700,000	-	8,700,000
Accounts Payable and accrued liabilities	-	991,774	991,774
	8,700,000	991,774	9,691,774

	January 1, 2013		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	-	-	-
Accounts Payable and accrued liabilities	-	4,880,654	4,880,654
	-	4,880,654	4,880,654

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

4. Financial instruments and risk management (continued)

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.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2014, December 31, 2013 and January 1 2013.

Currency	December 31, 2014	December 31, 2013	January 1, 2013
	As % of net assets	As % of net assets	As % of net assets
	%	%	%
United States Dollar	67.70	67.84	76.49
Indian Rupee	11.15	8.41	13.90
Other	.94	1.22	1.55
	79.79	77.47	91.94

The Company's net assets would decrease or increase by approximately \$7,381,444 (December 31, 2013 - \$7,465,490; January 1, 2013 - \$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 loan payable. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. 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, 2014	2,200,000	2,200,000	-	-	2,200,000
December 31, 2013	-	1,500,000	-	-	1,500,000
January 1, 2013	-	2,500,000	-	-	2,500,000
Loan payable					
December 31, 2014	3,550,000	-	-	-	3,550,000
December 31, 2013	8,700,000	-	-	-	8,700,000
January 1, 2013	-	-	-	-	-

As at December 31, 2014, 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 \$ 49,852 (December 31, 2013 - \$42,411). In practice, the actual results may differ materially.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

4. Financial instruments and risk management (continued)

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 are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly and privately traded securities. As at December 31, 2014, 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 \$13,728,189 (December 31, 2013 - \$14,607,901) (approximately 7.34% (December 31, 2013 – 8.35%) 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).

5. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. In September 2009 the loan facility agreement was amended to allow the Company to borrow up to \$15,000,000 from the Bank of Montreal (the "Bank") at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 1.75% (prior to July 2014, the Bank's prime rate plus 2.50%), 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, 2014, the outstanding balance of the loan was \$3,550,000 (December 31, 2013 - \$8,700,000) (January 1, 2013 - \$Nil) which is the fair value of the loan. The minimum amount borrowed during the year was \$Nil (2013 - \$Nil) and the maximum amount borrowed during the year was \$10,500,000 (2013 - \$15,000,000). As at December 31, 2014, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

6. Share capital

At December 31, 2014 share capital consists of the following:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Number	Amount \$	Number	Amount \$
<i>Authorized</i>				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
<i>Issued - common shares</i>				
Balance, beginning of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
<i>Issued - non-voting Class A shares</i>				
Balance, beginning of year	50,525,200	146,065,122	59,579,000	172,239,079
Normal Course Issuer Bid Redemption (a)	(2,976,900)	(8,606,028)	(9,053,800)	(26,173,957)
Balance, end of year	47,548,300	137,459,094	50,525,200	146,065,122
Total	57,548,300	145,457,987	60,525,200	154,064,015

The Class A shares and common shares have been classified as equity in these financial statements as the holder of these shares have no contractual rights that would require the Company to redeem the shares.

- (a) On August 27, 2014, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,855,693 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, 2014, and will terminate on the earlier of August 28, 2015, 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 980,000 Non-Voting Class A Shares, being 2% of the 49,000,000 issued and outstanding Non-Voting Class A Shares as at August 26, 2014 (the date on which the notice was filed). As at December 31, 2014, Urbana has purchased 1,451,700 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.90 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, August 29, 2012 to August 28, 2013 and August 29, 2013 to August 28, 2014 ("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, 5,989,067 Non-Voting Class A Shares at \$1.18 per share and 5,386,000 Non-Voting Class A Shares at \$1.78 per share.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

7. 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. The investment management fees are accrued and paid quarterly in arrears. In the years ended December 31, 2014 and December 31, 2013, investment management fees of \$3,101,401 and \$2,747,415, respectively were earned by CIM. For the years ended December 31, 2014 and December 31, 2013, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of \$815,549 (December 31, 2013 - \$758,265) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

The Company has a 50% ownership interest in Radar Capital Inc. (RCI), a private capital company, and Urbana SRL Inc. (SRL), a company that markets investment management software. In 2014, Urbana advanced RCI \$73,242 (2013 - \$500,000) and SRL \$33,181 (2013 - \$350,000) for operating purposes. Included in sundry receivables is \$106,423 from RCI and SRL. In addition, the bad debts of \$589,239 relate to these advances. In 2014, Urbana made investments of \$3,250,040 (2013 - \$500,040) in RCI.

All related party transactions are recorded at their exchange amounts.

8. Income taxes

The Company's provision for income taxes for the years ended December 31, 2014 and December 31, 2013 is summarized as follows:

	2014	2013
	\$	\$
Net income before income taxes	23,827,345	58,919,432
Expected income taxes payable at future rates - 26.5% (2013 - 26.5%)	6,314,246	15,613,649
Income tax effect of the following:		
Non-taxable portion of realized capital transactions (gains) losses	(1,204,633)	3,047,177
Non-taxable portion of unrealized foreign exchange gain	(2,292,891)	(10,910,516)
Utilization of losses not previously recognized	-	(5,986,720)
Non-taxable dividend	(251,765)	-
Other	305,043	(1,763,590)
	2,870,000	-

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2014 and December 31, 2013

8. Income taxes (continued)

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

	December 31, 2014	December 31, 2013
	\$	\$
Resource deductions available in perpetuity	(14,525)	(14,525)
Unrealized capital gains on investments	3,654,147	360,373
Tax benefit of capital loss carryforwards	-	(165,190)
Tax benefit of non-capital loss carryforwards (expiring 2031/2032)	(771,246)	(1,793,937)
Valuation allowance	-	1,613,279
Other	1,624	-
Total deferred income tax liability	2,870,000	-

9. Future accounting developments

In July 2014, the final version of IFRS 9 Financial Instruments ("IFRS 9") was issued, which replaces IAS 39 – Financial Instrument: Recognition and Measurement. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. Financial asset classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. A new model for hedge accounting aligns hedge accounting with risk management activities. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact the adoption of this standard will have on the Financial Statements.

10. Event after statement of financial position date

On March 2, 2015, the Bank and the Company amended the loan facility agreement (Note 5) to allow the Company to borrow up to \$25,000,000 (previously \$15,000,000) from the Bank at any given time with interest being charged on the outstanding balance of the loan facility at Bank's prime rate plus 1.25% (previously 1.75%).

11. Approval of financial statements

The Financial Statements were approved by the Board of Directors and authorized for issue on March 24, 2015.

URBANA
CORPORATION

150 King Street W., Suite 1702, Toronto, Ontario M5H 1J9 Tel: 416-595-9106 Fax: 416-862-2498
www.urbanacorp.com