

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.

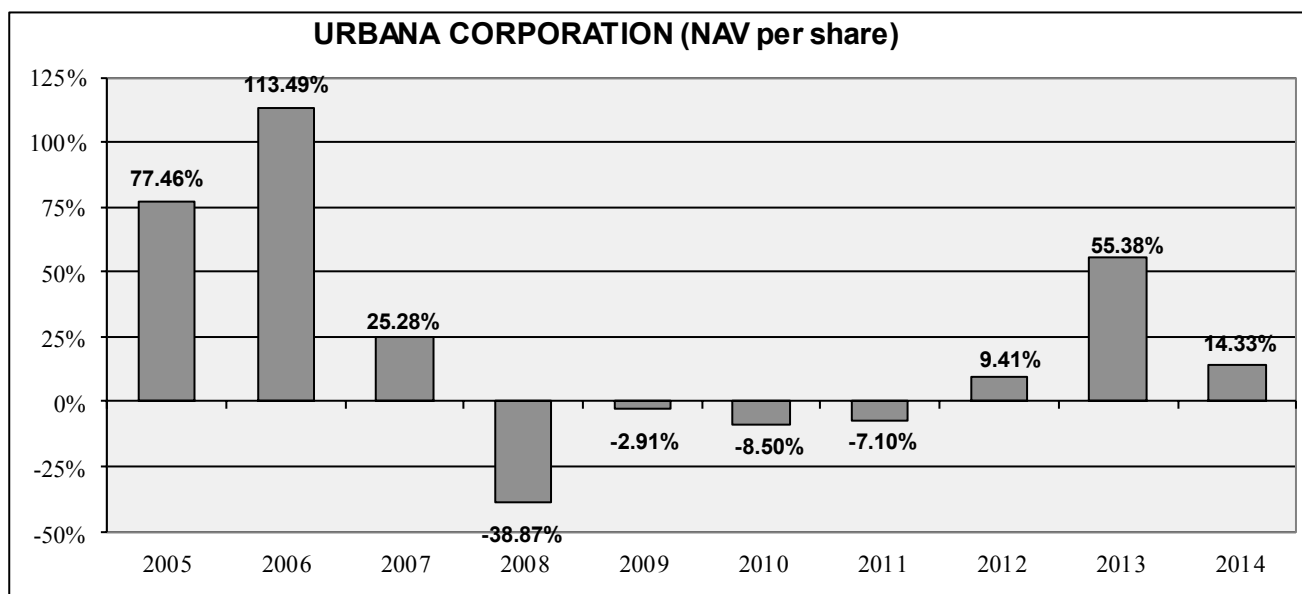
PAST PERFORMANCE

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