Condensed Interim Financial statements of

Urbana Corporation

September 30, 2015

(Unaudited)

Urbana Corporation
September 30, 2015 (Unaudited)

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Urbana Corporation

Condensed interim statements of financial position
(Unaudited)

(In Canadian dollars)

	September 30, 2015	December 31, 2014
	$	$
Assets		
Cash and cash equivalents	**1,635,201**	920,032
Investments, at fair value (Note 2)	**191,447,915**	193,466,807
Sundry receivables (Note 7)	**131,115**	136,717
Prepaid expenses	**1,663**	18,043
	193,215,894	194,541,599
Liabilities		
Loan payable (Note 4)	**8,400,000**	3,550,000
Current income tax liability (Note 8)	**200,000**	-
Deferred tax liability (Note 8)	**2,670,000**	2,870,000
Accounts payable and accrued liabilities (Note 7)	**960,533**	986,507
	12,230,533	7,406,507
Shareholders' equity		
Share capital (Note 6)	**135,313,692**	145,457,987
Contributed surplus	**66,289,616**	63,396,249
Deficit	**(20,617,947)**	(21,719,144)
Shareholders' equity representing net assets	**180,985,361**	187,135,092
Total liabilities and shareholders’ equity	**193,215,894**	194,541,599
Number of shares outstanding (Note 6)	**54,039,300**	57,548,300
Net assets per share - basic and diluted	**3.35**	3.25

Approved by the Board:

Director

Director

See accompanying notes.

Urbana Corporation

Condensed interim statements of comprehensive income
for the nine month period and three month period ended September 30
(Unaudited)
(In Canadian dollars)

	Three month period ended		Nine month period ended	
	2015	2014	**2015**	2014
	$	$	**$**	**$**
Revenue				
Net realized (loss) gain on sale and disposal of investments	**(4,897,552)**	(18,349)	**12,833,326**	4,642,667
Net change in unrealized (loss) gain on foreign exchange and investments	**(393,192)**	10,964,718	**(7,382,727)**	8,525,158
Dividends	**619,344**	574,534	**3,027,924**	1,665,520
Interest revenue (reversal of interest revenue)	**(15,446)**	24,068	**68,813**	61,217
Total operating income	**(4,686,846)**	11,544,971	**8,547,336**	14,894,562
Expenses				
Investment management fees (Note 7)	**845,128**	769,859	**2,502,530**	2,285,813
Transaction costs	**39,618**	12,352	**366,482**	109,713
Interest	**79,728**	56,114	**213,156**	192,923
Administrative	**44,818**	186,861	**608,740**	459,053
Audit fees	**22,811**	23,000	**118,470**	69,217
Director fees	**95,240**	15,180	**127,174**	45,045
Shareholder reporting costs	**33,624**	6,140	**80,151**	34,021
Insurance	**5,520**	5,520	**16,380**	16,380
Legal fees	**4,113**	-	**49,415**	4,913
Custody	**3,494**	6,233	**7,955**	6,233
Independent Review Committee fees (reversals)	**3,146**	(3,951)	**6,404**	13,962
Bad debts (Note 7)	**78,666**	135,697	**347,516**	459,792
	1,255,906	1,213,005	**4,444,373**	3,697,065
Net income before income taxes	**(5,942,752)**	10,331,966	**4,102,963**	11,197,497
Foreign witholding taxes	**39,524**	46,350	**124,338**	44,627
Provision for (recovery of) current income taxes (Note 8)	**(830,160)**	-	**200,000**	-
Provision for (recovery of) deferred income taxes (Note 8)	**(92,115)**	1,750,000	**(200,000)**	2,550,000
Total profit for the period	**(5,060,001)**	8,535,616	**3,978,625**	8,602,870
Basic and diluted earnings per share	**-0.09**	0.14	**0.07**	0.14
Weighted average number of shares outstanding	**54,709,725**	59,117,225	**55,909,840**	59,669,410

See accompanying notes.

Urbana Corporation

Condensed interim statements of changes in equity
for the nine month period ended September 30, 2015
(Unaudited)

(In Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	$	$	$	$
Balance at January 1, 2015	145,457,987	63,396,249	(21,719,144)	187,135,092
Profit for the period	-	-	3,978,625	3,978,625
Dividends paid	-	-	(2,877,428)	(2,877,428)
Normal course issuer bid payment/redemption	(10,144,295)	2,893,367	-	(7,250,928)
Balance at September 30, 2015	**135,313,692**	**66,289,616**	**(20,617,947)**	**180,985,361**
Balance at January 1, 2014	154,064,015	60,375,578	(39,585,252)	174,854,341
Profit for the period	-	-	8,602,870	8,602,870

See accompanying notes.

Urbana Corporation

Condensed interim statements of cash flows
for the nine month period ended September 30, 2015
(Unaudited)

(In Canadian dollars)

	2015	2014
	$	$
Operating activities		
Total results of operations for the period	**3,978,625**	8,602,870
Items not affecting cash		
Gain on sale and disposal of investments	**(12,833,326)**	(4,642,667)
Unrealized net loss (gain) on foreign exchange and investments	**7,382,727**	(8,525,158)
Provision for future income taxes	**(200,000)**	2,550,000
	(1,671,974)	(2,014,955)
Net change in non-cash working capital items		
Sundry receivables	**5,602**	697,477
Prepaid expenses	**16,380**	16,380
Current income taxes payable	**200,000**	-
Accounts payable and accrued liabilities	**(25,974)**	(73,538)
	196,008	640,319
Cash used in operating activities	**(1,475,966)**	(1,374,636)
Financing activities		
Proceeds from loan payable	**36,300,000**	19,600,000
Repayment of loan payable	**(31,450,000)**	(22,700,000)
Dividends paid	**(2,877,428)**	(3,000,013)
Normal course issuer bid repurchases payments	**(7,250,928)**	(2,828,032)
Cash used in financing activities	**(5,278,356)**	(8,928,045)
Investing activities		
Purchases of investments	**(36,030,442)**	(19,083,649)
Proceeds on sale of investments	**43,499,933**	29,346,785
Cash flow from investing activities	**7,469,491**	10,263,136
Net change in cash during the period	**715,169**	(39,545)
Cash and cash equivalents, beginning of period	**920,032**	676,774
Cash and cash equivalents, end of period	**1,635,201**	637,229
Supplemental disclosure		
Amount of interest paid	**213,156**	192,922

See accompanying notes.

Urbana Corporation

Condensed interim schedule of investment portfolio as at September 30, 2015

(In Canadian dollars)

Number of shares	Description	Cost	Fair value
		$	$
	Privately owned entities		
2,350,563	Caldwell India Holdings Inc. (i)	25,599,727	18,245,196
791,000	Urbana Mauritius Inc. (ii)	7,313,848	6,540,472
10,802,050	CNSX Markets Inc. common stock	5,282,463	6,481,230
32	Minneapolis Grain Exchange (seats)	7,279,359	7,722,432
169,341	Budapest Stock Exchange (shares)	4,761,242	1,875,369
759,000	Caldwell Financial Ltd. (Note 7)	1,707,750	2,352,900
3,750,040	Radar Capital Fund 1 Limited Partnership	3,750,040	4,162,544
5,280,000	Real Matters Inc.	8,075,000	13,200,000
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	4,630,128
100	Urbana Special Investment Holdings Ltd. (iii)	2,894,499	3,393,306
149,178	Highview Financial Holdings inc.	88,838	85,031
		73,152,866	71,688,708
	Publicly traded securities		
200,000	CBOE Holdings Inc.	6,612,734	17,986,831
45,000	Intercontinental Exchange Group Inc.	9,346,153	14,177,299
250,000	Citigroup Inc.	10,891,560	16,628,032
1,000,000	Bank of America Corp.	11,988,903	20,888,106
600,000	AGF Management Ltd.	7,650,479	3,174,000
125,000	Canadian Natural Resources	4,814,990	3,248,750
50,000	Encana Corp.	729,756	429,500
125,000	Suncor Energy	4,688,731	4,461,250
750,000	Barrick Gold Corp.	13,173,613	6,369,711
150,000	Teck Resources Ltd. Class B	1,179,503	955,500
50,000	Canadian Imperial Bank of Commerce	4,735,396	4,794,000
150,000	Crescent Point Energy Corp.	4,275,000	2,290,500
20,000	Royal Bank of Canada	1,531,755	1,475,800
159,200	Cenovus Energy Inc.	3,542,200	3,222,208
30,000	Bank of Nova Scotia	1,963,744	1,764,900
400,000	Morgan Stanley	9,607,949	16,892,820
		96,732,466	118,759,207
	Other		
1,000,000	Highview Financial Holdings Inc. (iv)	1,000,000	1,000,000
		1,000,000	1,000,000
		170,885,332	191,447,915

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

(iii) Urbana Special Investment Holdings Ltd. which is a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of One Chicago LLC.

(iv) 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 common shares of Bermuda Stock Exchange which have been written off.

See accompanying notes.

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. As a result of the change, the Company was considered an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted in favour of a resolution which reclassified the Company from an investment fund to a non-investment fund (the "Reclassification"). As a result of the Reclassification, Urbana is no longer an investment fund for securities law purposes.

The Company's common and Class A shares are listed for trading on the Toronto Stock Exchange ("TSX") and the Canadian Securities Exchange ("CSE"). Its 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. 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 International Financial Reporting Standards ("IFRS") and are presented in compliance with International Accounting Standard "IAS" 34, *Interim financial reporting*.

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:

1. Summary of significant accounting policies (continued)

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

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 period. 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.

1. Summary of significant accounting policies (continued)

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. Management uses various valuation techniques with unobservable market inputs in its determination of fair value of private investments, those most significant of which are disclosed in Note 2. Management exercises judgment in the determination of certain assumptions about market conditions existing at the date of the financial statements in the application of the chosen valuation techniques. 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 2 for the classification of the fair value measurements.

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.

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 period is the tax payable for the period and any change during the period 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.

1. Summary of significant accounting policies (continued)

Earnings per share

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

2. Fair value measurement

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly;

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

The following is a summary of the Company's investments categorized in the fair value hierarchy as at September 30, 2015 and December 31, 2014:

				September 30, 2015
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Publicly traded securities	**118,759,207**	**-**	**-**	**118,759,207**
Privately owned entities	**-**	**7,722,432**	**63,966,276**	**71,688,708**
Other	**-**	**-**	**1,000,000**	**1,000,000**
	118,759,207	**7,722,432**	**64,966,276**	**191,447,915**

2. Fair value measurement (continued)

Level 3 valuation methods – September 30, 2015

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	**18,245,196**	Analysis of comparable exchanges	P/E multiple	20.6-52.8
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats.	**6,540,472**	Analysis of comparable exchanges	P/E multiple	20.6-52.8
Budapest Stock Exchange	**1,875,369**	Analysis of comparable exchanges	EV/EBITDA multiple EV/Revenue multiple	7.8 4.2-7.5
Caldwell Financial Ltd.	**2,352,900**	Prescribed formula in shareholder's agreement	N/A	N/A
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	**4,630,128**	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	**85,031**	Cost	N/A	N/A
Real Matters Inc.	**13,200,000**	Market – subject company	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	**4,162,544**	Net asset value per unit	Net asset value per unit	N/A
Urbana Special Investment Holdings Ltd.	**3,393,306**	Market – subject company	Recent transaction price	$65,966
Private investments with no market for resale				
Urbana SRL Inc.	**50**	Cost	N/A	N/A
Highview Investments Limited Partnership	**3,000,000**	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
Ending balance	64,966,276			

** See Note 1 – Valuation of investments.*

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

2. Fair value measurement (continued)

				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 Holdings Ltd.	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			

** See Note 1 – Valuation of investments.*

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

2. Fair value measurement (continued)

During the nine month period ended September 30, 2015 and the year ended December 31, 2014 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

			September 30, 2015
	Privately owned entities	**Other**	**Total**
	$	**$**	**$**
Beginning balance	**46,979,821**	**2,200,000**	**49,179,821**
Purchases	**4,163,838**	**-**	**4,163,838**
Change in unrealized gains on foreign exchange and investments	**13,103,948**	**-**	**13,103,948**
Sales	**(281,331)**	**(1,200,000)**	**(1,481,331)**
Ending balance	**63,966,276**	**1,000,000**	**64,966,276**

			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

2. Fair value measurement (continued)

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 September 30, 2015 and December 31, 2014 are as shown below:

Level 3 valuation methods- September 30, 2015

Description	Input	Sensitivity used*	Effect on fair value ($)
Private investments with no recent transactions	P/E Multiple	1X	**728,872**
	EV/EBITDA Multiple	1X	**240,432**
	EV/Revenue Multiple	1X	**281,582**
	N/A	10%	**235,290**
Private investments with access to recent transactions	Recent transaction price	10%	**2,307,454**
	Net asset value per unit	10%	**879,207**
Private investments with no market for resale	Cost	10%	**300,010**
Private debt	Face value	10%	**100,000**

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

*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 nine month period ended September 30, 2015 and the year ended December 31, 2014, there were no transfers into/out of Level 1, Level 2 and Level 3 investments.

3. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks. Management seeks to minimize potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio advisors, and through daily monitoring of the Company's position and market events.

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at September 30, 2015, the Company holds approximately $1.0 million (2014 - $2.2 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 Company's 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.

	September 30, 2015 financial liabilities due on demand	**< 3 months**	**Total**
	$	**$**	**$**
Demand Loan	**8,400,000**	**-**	**8,400,000**
Accounts Payable and accrued liabilities	**-**	**960,533**	**960,533**
	8,400,000	**960,533**	**9,360,533**

	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

3. 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 4). 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 September 30, 2015 and December 31, 2014.

Currency	**September 30, 2015** As % of net assets	December 31, 2014 As % of net assets
	%	%
United States Dollar	**53.98**	67.70
Indian Rupee	**13.69**	11.15
Other	**1.04**	.94
	68.71	79.79

The Company's net assets would decrease or increase by approximately $6,217,493 (2014 - $7,381,444) 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					
September 30, 2015	**-**	**1,000,000**	-	-	**1,000,000**
December 31, 2014	1,200,000	1,000,000	-	-	2,200,000
Loan payable					
September 30, 2015	**8,400,000**	-	-	-	**8,400,000**
December 31, 2014	3,550,000	-	-	-	3,550,000

As at September 30, 2015, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased by approximately $38,732 (2014 - $49,852). In practice, the actual results may differ materially.

3. 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 September 30, 2015, 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 $11,875,921 (2014 - $13,728,189) (approximately 6.56% (2014 – 7.34%) 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 4).

4. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal (the "Bank"). In March 2, 2015 the loan facility agreement was amended to allow the Company to borrow up to $25,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 1.25% (prior to March 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 the Company's assets and allows the Company to purchase additional investments and/or for general corporate purposes. As at September 30, 2015, the outstanding balance of the loan was $8,400,000 (2014 - $3,550,000) which is the fair value of the loan. The minimum amount borrowed during the period was $Nil (2014 - $Nil) and the maximum amount borrowed during the nine month period ended September 30, 2015 was $16,050,000 (2014 - $10,500,000). As at September 30, 2015, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

5. Resource properties

Urbana has owned resource properties in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its resource properties if and when it is deemed suitable. In November 2014, Urbana entered into a joint exploration agreement with Beaufield Resources Inc. ("Beaufield"), a company that owns neighboring properties, to explore the Urban Township region. The exploration program, led by Beaufield, is currently underway.

6. Share capital

At September 30, 2015, share capital consists of the following:

	Number	**Nine month period ended September 30, 2015 Amount**	Number	Year ended December 31, 2014 Amount
		$		$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, beginning of period	**10,000,000**	**7,998,893**	10,000,000	7,998,893
Issued during the period	**-**	**-**	-	-
Balance, end of period	**10,000,000**	**7,998,893**	10,000,000	7,998,893
Issued - non-voting Class A shares				
Balance, beginning of period	**47,548,300**	**137,459,094**	50,525,200	146,065,122
Normal Course Issuer Bid Redemption (a)	**(3,509,000)**	**(10,144,295)**	(2,976,900)	(8,606,028)
Balance, end of period	**44,039,300**	**127,314,799**	47,548,300	137,459,094
Total	**54,039,300**	**135,313,692**	57,548,300	145,457,987

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.

On August 27, 2015, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,411,688 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 31, 2015, and will terminate on the earlier of August 30, 2016, 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 or the CSE 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 or the CSE at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 4,946 Non-Voting Class A Shares, being 25% of the average daily volume for the most recently completed six months, which is 19,784 shares calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 4,946 Non-Voting Class A Shares in any given week in accordance with the TSX's block purchase rules. As at September 30, 2015, Urbana has purchased 260,700 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of $2.04per 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, August 29, 2013 to August 28, 2014 and August 27, 2014 to August 28, 2015 ("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, 5,386,000 Non-Voting Class A Shares at $1.78 per share and 4,700,000 Non-Voting Class A Shares at $ 2.02 per share.

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 nine month periods ended September 30, 2015 and September 30, 2014, investment management fees of $2,502,530 and $2,285,813 respectively were earned by CIM. For the nine months ended September 30, 2015 and September 30, 2014, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of $845,128 (2014 - $769,860) 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 2015, Urbana advanced RCI and SRL $268,950 (2014 - $183,900) for operating purposes. Included in sundry receivables is $15,907 (2014 - $168,069) from RCI and SRL. In addition, the bad debts of $347,516 (2014 - $459,792) relate to these advances. In 2015, Urbana invested $500,000 (2014 - $2,450,000) in Radar Capital Fund 1 Limited Partnership which is managed by RCI.

All related party transactions are recorded at their exchange amounts.

8. Income taxes

The Company's provision for income taxes for the nine month periods ended September 30, 2015 and 2014 is summarized as follows:

	2015	2014
	$	$
Net income before income taxes	**4,102,963**	11,197,497
Expected income taxes payable at future rates - 26.5% (2014 - 26.5%)	**1,087,285**	2,967,337
Income tax effect of the following:		
Non-taxable portion of realized capital transactions (gains) losses	**(1,557,252)**	(525,157)
Non-taxable portion of unrealized capital (gains) losses	**978,211**	(1,129,583)
Non-taxable dividends	**(338,566)**	(182,901)
Other	**(45,340)**	1,464,931
	124,338	2,594,627
represented by		
Provision for current income taxes	**200,000**	-
Provision for deferred income taxes	**(200,000)**	2,550,000
Provision for foreign withholding taxes	**124,338**	44,627
	$ 124,338	$ 2,594,627

The components of the Company's deferred income tax liabilities are as follows:

	September 30, 2015	December 31, 2014
	$	$
Resource deductions available in perpetuity	**(14,525)**	(14,525)
Unrealized capital gains on investments	**2,700,877**	3,654,147
Taxes payable on 2015 transactions exceeding non-capital loss carryforwards at December 31, 2014	**-**	(771,246)
Other	**(16,352)**	1,624
Total deferred income tax liability	**2,670,000**	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. Approval of financial statements

The Financial Statements were approved by the Board of Directors and authorized for issue on November 3, 2015.

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