# URBANA CORPORATION

## MANAGEMENT'S DISCUSSION AND ANALYSIS
**For the year ended December 31, 2015**

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of Urbana Corporation ("Urbana" or the "Corporation") and notes thereto for the year ended December 31, 2015 (the "Annual Audited Financial Statements"). Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Annual Audited Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts shown in this MD&A, unless otherwise specified, are presented in Canadian dollars. This MD&A is current as of March 29, 2016. The Corporation's Audit Committee has reviewed this document, and prior to its release the Corporation's Board of Directors approved it, on the Audit Committee's recommendation.

You can obtain information relating to the Corporation, including the Corporation's annual information form and 2015 Annual Report, 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.

### CHANGE OF REPORTING REGIME

In 2005, the Corporation became an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted to authorize the Corporation, at the sole discretion of its board of directors, from time to time, to seek to exercise control over issuers in which it invests, such that the Corporation would no longer be an investment fund for securities law purposes (the "Reclassification"). As a result of the Reclassification, Urbana is now subject to National Instrument 51-102 ("NI 51-102") *Continuous Disclosure Obligations*, instead of National Instrument 81-106 ("NI 81-106") *Investment Fund Continuous Disclosure* to which it was subject prior to the Reclassification. Under NI 51-102, Urbana is required to file annual and interim Management's Discussion and Analysis. For accounting purposes, Urbana will continue to be treated as an investment entity under the International Financial Reporting Standards.

### INVESTMENT OBJECTIVE AND STRATEGIES

The long-term strategy of Urbana is to seek and acquire investments for income and capital appreciation through a combination of public and private investments. Urbana has the scope to invest in any sector in any region.

## 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 risks associated with investing in Urbana are described in Urbana's annual information form.

## OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

2015 challenged all investors. The fundamental concerns were an economic slowdown in China along with worries regarding China's currency, capital markets and corporate debt levels. Other factors were the economic slowdown in the Eurozone including Greece, collapsing oil and metal prices, near zero interest rates (impacting financial services), political concerns (North America and Europe) and a destabilized Middle East accompanied by terrorism on a world scale.

Adding to these, and many other economic and political concerns, was the high stock market volatility resulting, in great measure, from newer financial products and their now immense size (Exchange Traded Funds "ETFs"), high frequency trading, program trading and certain hedging operations. All of these technical factors create a "piling on effect" which serves to magnify stock price movements (up or down). These factors are now a permanent fact of stock market life. As a by-product, share prices are becoming relatively less affected by corporate and economic fundamentals.

Urbana Corporation ("Urbana") had a positive 2015 relative to most indices, which finished the year in negative territory.

During the year our marketable securities trading reflected a decision to reduce our concentrations in companies such as the Chicago Board Options Exchange and our US bank holdings and to capitalize on the high US dollar relative to the Canadian dollar. This represented a significant portfolio shift in order to protect profits. The portfolio shift necessitated a higher volume of trading than is typical for Urbana.

Urbana began a move to invest in Canadian banks, energy and metals producers which we sometimes refer to as "Canada Inc". All such investments had declined significantly relative to Urbana's US holdings. Urbana was somewhat early in moving back to Canadian issuers and by year-end these holdings showed some losses. All were back up by March 2016. Urbana reduced some of these and earlier positions to offset gains (thus reducing taxes) for 2015.

Our private equity investments, such as Real Matters and the Canadian Securities Exchange, performed well overall and helped Urbana to outperform during 2015.

Urbana also continued its buy-back of its non-voting Class A shares ("Class A shares") with the purchase and cancellation of 4,159,800 shares during calendar 2015. Urbana has traditionally bought back the maximum number of shares allowable each year under normal course issuer rules. Looking into 2016, it appears that the amount of Class A shares offered for sale has thinned out. This may result in reduced purchases, despite our best efforts. If and when larger blocks of Class A shares become available, it is our intention, under the normal course purchase rules, to acquire them.

One position we have held for some time has been the Bombay Stock Exchange ("BSE"). In 2015, Urbana joined with others to engage both a public relations firm and legal counsel in India to press the case for a public offering of BSE shares (an "IPO"). This combination of media and legal pressure on both regulators and government appears to be getting some positive results. On March 12, 2016, the Securities & Exchange Board of India (the Indian securities market regulator) gave "approval in principle" for the BSE to become a publicly traded company, that is, to do an IPO. This will provide Urbana with market liquidity one year after the IPO. We are encouraged, but years of delay cause us to have some caution as to timing.

Looking forward in 2016, we expect some improvement in the oil and metal sectors, continuing low interest rates and slow to moderate economic growth world-wide. These expectations are manifested in the "Canada Inc." component of our investments.

In regard to Urbana's US bank holdings, government pressures, fines and civil law suits have hurt share prices. These factors may result in a positive outcome, one which sees the large US banks break themselves up into investment and commercial banks in order to avoid the "too big to fail" constraints. History has shown that corporate break ups have been consistently positive for share prices. Standard Oil, AT&T, GE and Canadian Pacific are cases in point.

Our experience in 2015 reinforced our conviction that, in volatile markets, active management can provide better returns than indexed based management styles.

Urbana's management team combines private equity investment with an actively managed portfolio of publicly traded securities. Urbana's investment performance over the years validates this thesis and operating style.

In 2015, Urbana's net assets per share increased by 8.67% from $3.25 to $3.48 per share, taking into consideration a five cents ($0.05) per share dividend paid to shareholders in January 2015.[1]

Dividend income and interest income in 2015 were $3,622,177 and $101,841 respectively as compared to $2,269,725 and $91,519 in 2014. During 2015, Urbana realized a net gain of $9,650,493 from the sales and dispositions of investments as compared to a net realized gain of $9,091,572 in 2014. As explained above, the realized capital gains primarily reflected the disposition of US dollar-denominated investments in CBOE Holdings Inc. ($12 million), Morgan Stanley ($4.2 million), Bank of America ($2.0 million) and Citigroup Inc. ($1.0 million). The sale of these investments was partially motivated by a deteriorating environment for US bank stocks resulting in part from the payment of substantial fines by some institutions These gains were partially offset by capital losses realized on the disposition primarily in the latter part of the year of investments in certain Canadian companies namely Barrick Gold Corporation ($1.7 million), Crescent Point Energy Corp. ($1.7 million), AGF Management ($1.4 million), Edgecrest Capital Holdings Inc. ($1.2 million), Encana Corp. ($1.1 million), and Canadian Natural Resources Limited ($0.8 million).

[1] The common shares and the Class A shares participate equally in dividends.

For the year ended December 31, 2015, net change in unrealized gain on foreign exchange and investments was $3,172,815 (2014 - $16,715,601). The significant changes in unrealized gain during the year were in the investments in Intercontinental Exchange Group Inc. ($4.6 million), Real Matters Inc. ($5.1 million), CNSX Markets Inc. ($3.5 million), OneChicago LLC ($3.3 million), Citigroup Inc. ($1.3 million), and Budapest Stock Exchange ($1.1 million). The significant changes in unrealized loss of the Corporation's investment portfolio during the year were in the investments in CBOE Holdings Inc. ($9.3 million), Morgan Stanley ($4.5 million), Teck Resources Ltd. ($1.5 million), AGF Management Ltd. ($1.1 million) and Barrick Gold Corp. ($0.9 million).

Investment management fees for 2015 increased by $237,208 as compared to 2014 (2015 - $3,338,609 and 2014 – $3,101,401) as a result of an increase in its average investment portfolio during the year. In 2015, foreign withholding tax increased by $72,923 (2015 – $164,160 and 2014 - $91,237) as a result of higher U.S. dividend income for the year. Transaction costs in 2015 increased by $295,632 (2015 – $505,584 and 2014 - $209,952) as compared to 2014 as a result of trading activity undertaken during the year to sell and replace US dollar equity investments with investments in Canadian bank, metals and energy issuers. In August, 2015, George Elliott was paid a one-time directors' fee of $75,000, in addition to his regular directors' fees, as remuneration for a larger than normal time commitment to the Corporation in his capacity as the lead director and chair of the audit committee of the Corporation.

As a result of the Corporation's reclassification from an investment fund to an investment corporation in July 2015, there were significant non-recurring expenses and on-going expenses incurred and included in administrative expenses in 2015.

Urbana's operations in the 2015 resulted in a net gain of $ 10,845,213 before income taxes (a net gain of $7,672,398 before net unrealized gain on foreign exchange and investments, and income taxes) as compared to a net gain of $23,827,345 ($7,111,744 before net unrealized gain on foreign exchange and investments, and income taxes) in 2014.

## Financial Highlights

The following tables show selected information about Urbana's financial performance for the past five years:

| **Urbana's Net Assets per Share**(1&2) | | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| Net assets, beginning of year | $3.25 | $2.89 | $1.86 | $1.70 | $1.83 |
| Realized gain (loss) for the year | 0.17 | 0.15 | (0.35) | (0.22) | (0.11) |
| Unrealized gain(loss) for the year | 0.06 | 0.29 | 1.26 | 0.38 | (0.09) |
| Dividend and interest income for the year | 0.07 | 0.04 | 0.05 | 0.08 | 0.06 |
| Total expenses for the year (3)(4) | (0.11) | (0.13) | (0.07) | (0.06) | (0.01) |
| Distributions | (0.05) | (0.05) | Nil | Nil | Nil |
| Increase in contributed surplus from NCIB purchases | 0.06 | 0.05 | 0.22 | 0.13 | 0.15 |
| Net assets, end of year(5) | 3.48 | 3.25 | 2.89 | 1.86 | 1.70 |

(1) This information is derived from Urbana's audited annual financial statements. The accounting principles applicable to 2014 and subsequent years were IFRS and to all years prior to 2014 were Canadian GAAP, with the exception that the 2013 financial statements were re-stated in accordance with IFRS requirements

(2) Net assets are based on the actual number of shares outstanding at the relevant time. The other items in this table are based on the weighted average number of shares outstanding over the financial year.
(3) For the years 2011-12, total expenses included 58.54% of the profits/losses of Caldwell India Holdings Inc. (reflecting Urbana's ownership). For the year 2013, due to re-statement of that year's annual financial statements in accordance with IFRS requirements, and for the years after 2013, due to the adoption of IFRS, such profits/losses have not been included as expenses.
(4) Total expenses include an obligation to pay future taxes. When future tax obligations are negative (i.e. there is a tax credit), total expenses are not reduced by the amount of tax credit.
(5) Each number in this row reflects more adjustments than shown in the column above such number.

| Ratios and Supplemental Data | | | | | |
|---|---|---|---|---|---|
| | **2015** | **2014** | **2013** | **2012** | **2011** |
| Total net asset value(000's)(1) | $186,044 | $187,135 | $174,854 | $129,073 | $126,669 |
| Shares outstanding(1) | 53,388,500 | 57,548,300 | 60,525,200 | 69,579,000 | 74,408,000 |
| Management expense ratio(2) | 2.90% | 2.70% | 2.68% | 3.45% | 3.20% |
| Management expense ratio excluding foreign withholding taxes(2) | 2.81% | 2.65% | 2.67% | 2.93% | 2.89% |
| Management expense ratio excluding foreign withholding taxes and interest(2) | 2.66% | 2.51% | 2.50% | 2.31% | 2.32% |
| Portfolio turnover ratio(3) | 24.57% | 12.00% | 52.02% | 21.65% | 5.56% |
| Trading expense ratio(4) | 0.27% | 0.11% | 0.48% | 0.63% | 0.08% |
| Net asset value per share | $3.48 | $3.25 | $2.89 | $1.86 | $1.70 |
| Closing market price (common) | $2.05 | $2.09 | $1.85 | $1.00 | $0.89 |
| Closing market price (Class A) | $2.05 | $1.97 | $1.88 | $0.97 | $0.89 |

(1) This information is provided as at the end of the stated year.
(2) Management Expense Ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as a percentage of average weekly net asset value during the year.
(3) Urbana's portfolio turnover ratio indicates how frequently the corporation's investment manager purchases and sells portfolio investments. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio. 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.
(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as a percentage of average weekly net asset value during the period.

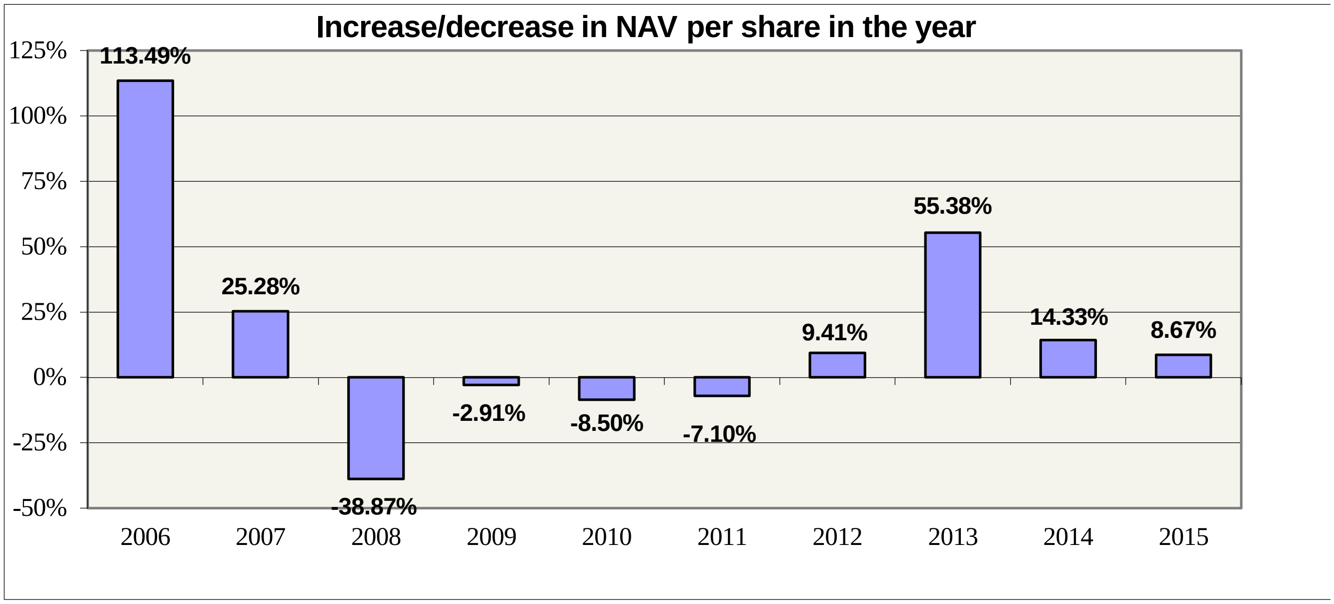
## Past Performance

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 Performance*

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 Class A shares were first issued on January 11, 2007. The Class A shares, which have the same rights as the common shares upon liquidation, are treated as if they are common shares for the purposes of the NAV calculation.




***Growth of NAV and Annual Compound Returns***

The following table shows the growth in Urbana's NAV and the annual compound returns of its common and Class A shares, for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2015), compared with the annual compound returns of the S&P/TSX Composite Index for the periods indicated.

| | **1 year** | **3 year** | **5 years** | **since inception of Class A shares**(1) | **10 year** | **since inception of common shares**(1) |
|---|---|---|---|---|---|---|
| Urbana NAV | 8.67% | 24.51% | 14.43% | 2.33% | 11.05% | 15.88% |
| Urbana Common Shares (Market) | 0.59% | 29.25% | 10.85% | n/a | 0.77% | 6.59% |
| Urbana Class A Shares (Market) | 6.62% | 30.51% | 11.88% | -3.62% | n/a | n/a |
| S&P/TSX Composite Index(2) | -11.09% | 1.52% | -0.65% | 0.43% | 1.44% | 3.15% |

(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 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, 2015

**The following data is extracted from Urbana's financial statements for the year ended December 31, 2015**:

| **Number of shares, units or seats** | **Description** | **Cost ($)** | **Fair value ($)** | **% of Portfolio Fair Value** | **% of Total Net Assets** |
|---|---|---|---|---|---|
| **Privately owned entities** | | | | | |
| 2,350,563 | Caldwell India Holdings Inc. (i) | 25,599,727 | 16,071,074 | 8.22% | 8.64% |
| 791,000 | Urbana Mauritius Inc. (ii) | 7,313,848 | 5,808,847 | 2.97% | 3.12% |
| 11,684,403 | CNSX Markets Inc. common stock | 5,829,521 | 10,515,963 | 5.38% | 5.65% |
| 32 | Minneapolis Grain Exchange (seats) | 7,279,359 | 6,823,259 | 3.49% | 3.67% |
| 169,341 | Budapest Stock Exchange (shares) | 4,761,242 | 2,902,844 | 1.48% | 1.56% |
| 759,000 | Caldwell Financial Ltd. | 1,707,750 | 2,292,180 | 1.17% | 1.23% |
| 5,000,040 | Radar Capital Fund 1 Limited Partnership | 5,000,044 | 5,550,044 | 2.84% | 2.98% |
| 5,280,000 | Real Matters Inc. | 8,075,000 | 13,200,000 | 6.75% | 7.10% |
| 50 | Radar Capital Inc. | 50 | 50 | 0.00% | 0.00% |
| 3,000,000 | Highview Investments Limited Partnership | 3,000,000 | 3,000,000 | 1.53% | 1.61% |
| 406,066 | Caldwell Growth Opportunities Trust | 3,400,000 | 4,485,771 | 2.29% | 2.41% |
| 100 | Urbana Special Investment Holdings Ltd. (iii) | 2,894,499 | 3,515,805 | 1.80% | 1.89% |
| 205,080 | Highview Financial Holdings Inc. | 123,838 | 116,896 | 0.06% | 0.06% |
| **Publicly traded securities** | | | | | |
| 190,000 | CBOE Holdings Inc. | 6,282,098 | 17,128,992 | 8.76% | 9.21% |
| 45,000 | Intercontinental Exchange Group Inc. | 9,346,153 | 16,018,684 | 8.19% | 8.61% |
| 250,000 | Citigroup Inc. | 10,891,560 | 17,971,481 | 9.19% | 9.66% |
| 950,000 | Bank of America Corp. | 11,389,458 | 22,209,625 | 11.35% | 11.94% |
| 600,000 | AGF Management Ltd. | 7,650,479 | 3,120,000 | 1.59% | 1.68% |
| 250,000 | Suncor Energy | 9,341,948 | 8,930,000 | 4.56% | 4.80% |
| 700,000 | Barrick Gold Corp. | 12,298,786 | 7,168,693 | 3.66% | 3.85% |
| 750,000 | Teck Resources Ltd. Class B | 5,480,819 | 4,005,000 | 2.05% | 2.15% |
| 50,000 | Canadian Imperial Bank of Commerce | 4,735,396 | 4,559,500 | 2.33% | 2.45% |
| 20,000 | BCE Inc. | 1,142,000 | 1,069,200 | 0.55% | 0.57% |
| 400,000 | Morgan Stanley | 9,607,949 | 17,674,908 | 9.04% | 9.50% |
| | **Other** | | | | |
| 1,000,000 | Highview Financial Holdings Inc. (iv) | 1,000,000 | 1,000,000 | 0.51% | 0.54% |
| 1,000,000 | Radar Capital Inc. | 1,000,000 | 135,504 | 0.07% | 0.07% |
| | Cash and Cash Equivalents | 345,723 | 345,723 | 0.18% | 0.19% |
| | **Total** | 165,497,247 | 195,620,043 | 100.00% | 105.14% |

(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. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the ordinary shares. The fair value of these ordinary shares is nominal.
(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 shares of OneChicago, LLC.

[iv]Urbana holds an unsecured subordinated promissory note repayable on October 22, 2016 with a semi-annual interest payment of 55,902 Class D common shares.
(v)Urbana holds an unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 24,683 common shares of Bermuda Stock Exchange which have been written off and 44 mining claims in Urbana township, Quebec. Mining expenditures of $180,003 have been recorded as a loss in realized gain on sale and disposal of investments.

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

## Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with a major Canadian chartered bank (the "Bank"). In March, 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, 2015, the outstanding balance of the loan was $5,500,000, representing 2.96% of the net assets of Urbana (2014 - $3,550,000 and 1.90%). The minimum and maximum amount borrowed during 2015 was $Nil and $16,050,000 respectively (2014 – $Nil and $10,500,000). As at the date of this MD&A, the Corporation has complied with all covenants, conditions or other requirements of the outstanding debt.

## Normal Course Issuer Bid

On August 27, 2015, the Toronto Stock Exchange (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 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 Canadian Stock Exchange (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 must be cancelled. Urbana may not purchase on any given day, in the aggregate, more than 4,946 Class A shares, being 25% of the average daily volume for the most recently completed six months prior to the filing of the NCIB, 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 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2015, Urbana has purchased 911,500 Class A shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of $1.99 per share. Previously, the TSX had accepted Urbana's notices of intention to conduct normal course issuer bids. Details of the previous normal course issuer bid purchases are as follows:

| Normal Course Issuer Bid Period | Total Number of Class A Shares Purchased during the Period | Average Price |
|---|---|---|
| August 28, 2008 - August 27, 2009 | 1,336,582 | 1.28 |
| August 28, 2009 - August 27, 2010 | 3,083,920 | 1.32 |
| August 28, 2010 - August 27, 2011 | 7,431,300 | 1.27 |
| August 29, 2011 - August 28, 2012 | 6,636,033 | 1.01 |
| August 29, 2012 - August 28, 2013 | 5,989,067 | 1.18 |
| August 29, 2013 - August 28, 2014 | 5,386,000 | 1.78 |
| August 29, 2014 - August 28, 2015 | 4,700,000 | 2.02 |

## Acquisitions and Dispositions of Portfolio Investments

From January 1, 2015 to December 31, 2015, Urbana made the following significant acquisitions and dispositions of portfolio investments:

### Acquisitions

| Investments | Quantity (units/shares) | Cost ($) |
|---|---|---|
| Bank of Nova Scotia | 30,000 | 1,963,744 |
| Barrick Gold Corp. | 200,000 | 2,759,430 |
| Canadian Imperial Bank of Commerce | 50,000 | 4,735,396 |
| Canadian Natural Resources | 105,000 | 4,124,997 |
| Cenovus Energy Inc. | 159,200 | 3,542,200 |
| Crescent Point Energy Corp. | 150,000 | 4,275,000 |
| Encana Corp. | 200,000 | 2,919,023 |
| Highview Financial Holdings Inc. | 205,080 | 125,838 |
| Horizons ETFs | 100,000 | 830,225 |
| Real Matters Inc. | 1,530,000 | 3,575,000 |
| Royal Bank of Canada | 20,000 | 1,531,755 |
| Suncor Energy | 230,000 | 8,657,948 |
| Radar Capital Fund I Limited Partnership | 1,750,000 | 1,750,000 |
| Teck Resources Class B | 750,000 | 5,480,819 |
| BCE Inc. | 20,000 | 1,142,000 |
| CNSX Markets Inc. | 882,353 | 547,058 |

### Dispositions

| Investments | Quantity (units/shares) | Cost Base[1] ($) | Proceeds[1] ($) |
|---|---|---|---|
| Bank of America | 250,000 | 2,997,226 | 4,926,264 |
| CBOE Holdings Inc. | 310,000 | 10,249,739 | 22,219,130 |
| Citigroup Inc. | 50,000 | 2,178,911 | 3,207,766 |
| Franco Nevada Corp. | 25,950 | 1,691,376 | 1,723,899 |
| Horizons ETFs | 100,000 | 830,225 | 427,304 |
| Morgan Stanley | 200,000 | 4,803,974 | 8,958,437 |
| One Chicago LLC | 5 | 281,331 | 300,034 |
| AGF Management Ltd. Class B | 200,000 | 2,550,159 | 1,128,218 |
| Barrick Gold Corp. | 200,000 | 3,499,308 | 1,776,599 |
| Edgecrest Financial Holdings Inc. | 1,200,000 | 1,200,000 | 0 |
| Encana Corp. | 200,000 | 2,919,023 | 1,804,571 |
| Bank of Nova Scotia | 30,000 | 1,963,744 | 1,825,092 |

| | | | |
|---|---|---|---|
| Canadian Natural Resources | 125,000 | 4,814,990 | 4,002,793 |
| Cenovus Energy Inc. | 159,200 | 3,542,200 | 3,306,801 |
| Crescent Point Energy Corp. | 150,000 | 4,275,000 | 2,581,940 |
| Royal Bank of Canada | 20,000 | 1,531,755 | 1,470,254 |

[1]Cost base does not include transaction costs and proceeds are net of transaction costs.

### Mining Claims

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 neighbouring properties, to explore the Urbana Township region. This exploration program, led by Beaufield, is currently underway. Urbana's property is centrally located within the Urban-Barry greenstone belt and consists of the original claim group held since the 1940s when visible gold was first discovered in the area. Recent announcements by Beaufield and Oban Mining Corporation have prompted management to expand its exploration program for the property, portions of which have never been drilled.

### Dividend Policy and Dividend Declared

Currently the Corporation has a dividend policy that it intends to pay a cash dividend of five cents ($0.05) per share to the Shareholders as soon as practical after the end of each year. 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 18, 2016, Urbana's board of directors declared a cash dividend of five cents ($0.05) per share on the issued and outstanding common and Class A shares of Urbana, payable on February 12, 2016, to the Shareholders of record at the close of business on January 28, 2016. 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.

### Outstanding Number of Shares

As at March 25, 2016, the Corporation has 10,000,000 common shares and 43,207,400 Class A shares outstanding.

## Related Party Transactions

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. ("CIM"), the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana – refer to "Management Fees" below.

Urbana has a 50% ownership interest in Radar Capital Inc. ("RCI"), a private capital company, and Urbana SRL Inc. ("SRL"), a company that ceased operating during 2015. From 2013 to 2015, Urbana advanced SRL a total of $620,700. These advances are now included as a loss in realized gain on sale and disposal of investments. In 2015, Urbana invested $1,750,000 (2014 -

$3,250,040) in Radar Capital Fund 1 Limited Partnership which is managed by RCI. As at December 31, 2015, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM. Refer to "Summary of Portfolio Investments" above.

Caldwell Securities Ltd., a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. The total amount of commission fees paid to Caldwell Securities Ltd. by Urbana during the years ended December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 were $522,140, $142,570, $674,282 and $279,879 respectively.

CIM provides investor relations services to Urbana pursuant to an agreement between Urbana and CIM dated October 1, 2015. In 2015, Urbana paid CIM $12,250 (plus HST) for investor relations services provided by CIM. In 2015, Urbana also paid Caldwell Financial Ltd. $25,833 (plus HST) for administrative services and office rental and storage.

As at December 31, 2015, there were no fees payable to related parties, other than a management fee payable of $836,079 to CIM.

## MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM. Pursuant to such agreement, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. In 2015, CIM earned $3,338,609 of investment management fees from Urbana, as compared to $3,101,401 in 2014. The investment management fees are accrued and paid quarterly in arrears. As at December 31, 2015 there was an investment management fee payable of $836,079 to CIM (2014 – $815,549).

## SUMMARY OF QUARTERLY RESULTS

The table below shows the key operating results of the Corporation for the two completed quarters since the Corporation's reclassification.

| | 4th Quarter 2015 | 3rd Quarter 2015 |
|---|---:|---:|
| Realized gain (loss) | (3,182,833) | (4,897,552) |
| Change in unrealized gain (loss) | 10,555,542 | (393,192) |
| Dividend income | 594,253 | 619,344 |
| Interest income (reversal of interest income) | 33,028 | (15,446) |
| Total expenses | 1,257,740 | 1,255,906 |
| Net income before income taxes | 6,742,250 | (5,942,752) |
| Net Assets per share (beginning of period) | 3.35 | 3.41 |
| Net Assets per share (end of period) | 3.48 | 3.35 |

## FOURTH QUARTER

By the fourth quarter of 2015, Urbana had shifted its portfolio holdings from US financial institutions and marketplaces to Canadian banks, energy and metals producers. Some of these investments had declined by the fourth quarter of 2015 and Urbana crystallized some of the losses to offset gains from earlier dispositions. The resulting net realized capital loss of $3,182,833 was primarily due to the disposition of investments in Crescent Point Energy Corp. ($1.7 million), Canadian Natural Resources Limited ($0.8 million), Barrick Gold ($0.4 million) and Encana Corp. ($0.3 million).

Unrealized gain on foreign exchange and investments amounted to $10,555,542 during the fourth quarter. The significant changes in unrealized gains on investments during the quarter were: CNSX Markets Inc. ($3.5 million), Intercontinental Exchange ($1.8 million), Bank of America ($1.9 million) and Citigroup Inc. ($1.3 million).

Comparative figures for the fourth quarter of previous years are not available because the Corporation did not start preparing quarterly financial statements until the third quarter of 2015.

## LIQUIDITY

The Corporation currently holds more than 60% of its assets in marketable securities. It does not anticipate any issues with liquidity.

## CAPITAL RESOURCES

The Corporation has had a demand loan facility with a major Canadian bank since 2008 (see under the heading of "Demand Loan Facility" above). In 2015, the Corporation did not conduct any additional financing activities. As at the date of this MD&A, the Corporation does not have any capital expenditure commitment which the Corporation plans on funding by way of financing arrangements in addition to the existing loan facility.

## OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

## CHANGES IN ACCOUNTING POLICIES

In July 2014, the final version of IFRS 9 Financial Instruments ("IFRS 9") was issued, which replaces IAS 39 In July 2014, the final version of the International Financial Reporting Standard 9 Financial Instruments ("IFRS 9") was issued, which replaces International Accounting Standard 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 Corporation is currently assessing the impact the adoption of this standard will have on the financial statements.

In December 2014, a disclosure initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. Urbana will amend disclosures if required in the 2016 Financial Statements

## DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Urbana's management ("Management"), under the supervision of its CEO and CFO, is responsible for establishing and maintaining the Corporation's DC&P and ICFR (as defined in National Instrument 52-109).

Consistent with NI 52-109, the Corporation's CEO and CFO have reviewed the design of the Corporation's DC&P and ICFR and have concluded that as at December 31, 2015 (A) the Corporation's DC&P provides reasonable assurance that (i) material information relating to the Corporation has been made known to them, particularly during the financial year ended December 31, 2015 and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in securities legislation; and (B) the Corporation's ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

The Corporation's CEO and CFO have evaluated the effectiveness of the Corporation's DC&P as at December 31, 2015 and have concluded that after taking measures to have the Corporation's disclosures reviewed not only by management, but also by outside advisers, the Corporation's DC&P were effective as of that date.

The Corporation's CEO and CFO have also evaluated the effectiveness of the Corporation's ICFR as at December 31, 2015, using the Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and have concluded that the Corporation's ICFR was effective as at that date.

There have been no changes in the Corporation's ICFR that occurred during the period beginning October 1, 2015 and ending on December 31, 2015 that has materially affected, or is reasonably likely to materially affect, the Corporation's ICFR.

All control systems contain inherent limitations, no matter how well designed. As a result, Management acknowledges that the Corporation's ICFR will not prevent or detect all misstatements due to error or fraud. In addition, Management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

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