

Condensed Interim Financial statements of

# **Urbana Corporation**

June 30, 2016

(Unaudited)

**NOTICE:** This interim financial report has not been reviewed by an auditor

# Urbana Corporation

June 30, 2016 (Unaudited)

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# Urbana Corporation

## Condensed interim statements of financial position

(Unaudited)

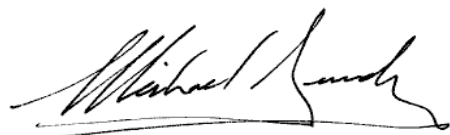
(In Canadian dollars)

	June 30, 2016	December 31, 2015
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	222,411	345,723
Investments, at fair value (Notes 2 and 3)	201,033,925	195,274,320
Accounts and other receivables (Note 4)	135,981	83,967
Current income taxes	-	87,515
	<b>201,392,317</b>	<b>195,791,525</b>
<b>Liabilities</b>		
Loan payable (Note 6)	4,700,000	5,500,000
Deferred income tax liability (Note 10)	4,020,000	3,320,000
Accounts payable and accrued liabilities (Notes 5 and 9)	941,560	927,846
	<b>9,661,560</b>	<b>9,747,846</b>
<b>Shareholders' equity</b>		
Share capital (Note 8)	132,309,142	133,432,271
Contributed surplus	67,257,580	66,889,412
Deficit	(7,835,965)	(14,278,004)
Shareholders' equity representing net assets	<b>191,730,757</b>	<b>186,043,679</b>
Total liabilities and shareholders' equity	<b>201,392,317</b>	<b>195,791,525</b>
<b>Number of shares outstanding (Note 8)</b>	<b>53,000,000</b>	<b>53,388,500</b>
<b>Net assets per share - basic and diluted</b>	<b>3.62</b>	<b>3.48</b>

Approved by the Board:



Director



Director

See accompanying notes.

# Urbana Corporation

Condensed interim statements of comprehensive income  
for the six month period and three month period ended June 30  
(Unaudited)

(In Canadian dollars)

	Three month period ended		Six month period ended	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Revenue</b>				
Net realized gain on sale and disposal of investments	1,407,292	9,510,902	7,146,900	17,730,878
Net change in unrealized gain (loss) on foreign exchange and investments	19,282,334	(5,417,538)	4,957,440	(7,258,385)
Dividends	570,277	1,724,395	1,087,692	2,408,580
Interest revenue	17,590	51,222	35,261	84,259
<b>Total operating income</b>	<b>21,277,493</b>	<b>5,868,981</b>	<b>13,227,293</b>	<b>12,965,332</b>
<b>Expenses</b>				
Investment management fees (Note 9)	838,542	807,787	1,606,631	1,657,402
Transaction costs (Note 9)	112,738	188,560	360,231	326,864
Interest	77,555	10,249	145,651	133,428
Administrative (Note 9)	221,052	426,709	696,320	660,962
Professional fees	376,409	102,196	452,359	140,961
	<b>1,626,296</b>	<b>1,535,501</b>	<b>3,261,192</b>	<b>2,919,617</b>
Net income before income taxes	19,651,197	4,333,480	9,966,101	10,045,715
Foreign withholding taxes	31,831	37,608	67,109	84,814
Provision for current income taxes (Note 10)	87,515	1,030,160	87,515	1,030,160
Provision for (recovery of) deferred income taxes (Note 10)	2,310,000	(707,885)	700,000	(107,885)
<b>Total profit for the period</b>	<b>17,221,851</b>	<b>3,973,597</b>	<b>9,111,477</b>	<b>9,038,626</b>
<b>Basic and diluted earnings per share</b>	<b>0.32</b>	<b>0.07</b>	<b>0.17</b>	<b>0.16</b>
<b>Weighted average number of shares outstanding</b>	<b>53,077,750</b>	<b>56,107,925</b>	<b>53,205,143</b>	<b>56,537,014</b>

See accompanying notes.

# Urbana Corporation

Condensed interim statements of changes in equity  
for the six month periods ended June 30, 2016 and June 30, 2015

(Unaudited)

(In Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	\$	\$	\$	\$
Balance at January 1, 2016	133,432,271	66,889,412	(14,278,004)	186,043,679
Profit for the period	-	-	9,111,477	9,111,477
Dividends paid	-	-	(2,669,438)	(2,669,438)
Normal course issuer bid payment/redemption	(1,123,129)	368,168	-	(754,961)
<b>Balance at June 30, 2016</b>	<b>132,309,142</b>	<b>67,257,580</b>	<b>(7,835,965)</b>	<b>191,730,757</b>
Balance at January 1, 2015	145,457,987	63,396,249	(21,719,144)	187,135,092
Profit for the period	-	-	9,038,626	9,038,626
Dividends paid	-	-	(2,877,428)	(2,877,428)
Normal course issuer bid payment/redemption	(5,922,661)	1,724,030	-	(4,198,631)
Balance at June 30, 2015	139,535,326	65,120,279	(15,557,946)	189,097,659

See accompanying notes.

# Urbana Corporation

Condensed interim statements of cash flows  
for the six month periods ended June 30, 2016 and June 30, 2015

(Unaudited)

(In Canadian dollars)

	2016	2015
	\$	\$
<b>Operating activities</b>		
Total results of operations for the period	9,111,477	9,038,626
Items not affecting cash		
Gain on sale and disposal of investments	(7,146,900)	(17,730,878)
Net change in unrealized gain (loss) on foreign exchange and investments	(4,957,440)	7,258,385
Purchases of investments	(38,268,668)	(33,919,789)
Proceeds on sale of investments	44,613,403	39,887,904
Provision for (recovery of) deferred income taxes	700,000	(107,885)
	<b>4,051,872</b>	<b>4,426,363</b>
Net change in non-cash working capital items		
Accounts and other receivables	(52,014)	(95,721)
Current income taxes	87,515	1,030,160
Accounts payable and accrued liabilities	13,714	2,140,150
	<b>49,215</b>	<b>3,074,589</b>
Cash provided by operating activities	<b>4,101,087</b>	<b>7,500,952</b>
<b>Financing activities</b>		
Proceeds from loan payable	27,000,000	25,200,000
Repayment of loan payable	(27,800,000)	(26,250,000)
Dividends paid	(2,669,438)	(2,877,428)
Normal course issuer bid repurchases payments	(754,961)	(4,198,631)
Cash used in financing activities	<b>(4,224,399)</b>	<b>(8,126,059)</b>
Net change in cash and cash equivalents during the period	<b>(123,312)</b>	<b>(625,107)</b>
Cash and cash equivalents, beginning of period	345,723	920,032
<b>Cash and cash equivalents, end of period</b>	<b>222,411</b>	<b>294,925</b>
<b>Supplemental disclosure</b>		
Amount of interest paid	<b>145,651</b>	<b>133,428</b>

See accompanying notes.

**Urbana Corporation**  
Condensed interim schedule of investment portfolio  
as at June 30, 2016  
(In Canadian dollars)

Number	Description	Cost	Fair value
		\$	\$
<b>Privately owned entities</b>			
2,350,563	Caldwell India Holdings Inc. (i)	25,599,727	14,787,002
791,000	Urbana Mauritius Inc. (ii)	7,313,848	5,376,737
11,684,403	CNSX Markets Inc. common stock	5,829,521	10,515,963
32	Minneapolis Grain Exchange (seats)	7,279,359	6,399,994
169,341	Budapest Stock Exchange (shares)	4,761,242	2,748,639
759,000	Caldwell Financial Ltd. (Note 9)	1,707,750	2,292,180
5,000,040	Radar Capital Fund 1 Limited Partnership (Note 9)	5,000,044	6,950,056
5,899,911	Real Matters Inc.	10,554,644	23,599,644
50	Radar Capital Inc. (Note 9)	50	50
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,113,400
406,066	Caldwell Growth Opportunities Trust (Note 9)	3,400,000	4,429,084
100	Urbana Special Investment Holdings Ltd. (iii)	2,894,499	3,287,004
260,982	Highview Financial Holdings inc.	158,838	148,760
		80,499,522	86,648,513
<b>Publicly traded securities</b>			
150,000	CBOE Holdings Inc.	4,959,550	12,977,909
30,000	Intercontinental Exchange Group Inc.	6,230,769	9,972,458
200,000	Citigroup Inc.	8,713,248	11,010,379
1,000,000	Bank of America Corp.	13,949,647	17,233,749
200,000	AGF Management Ltd.	2,550,160	1,000,000
400,000	Suncor Energy	13,628,961	14,336,000
400,000	Barrick Gold Corp.	7,049,824	11,040,835
500,000	Teck Resources Ltd. Class B	3,569,489	8,505,000
100,000	Canadian Imperial Bank of Commerce	9,032,380	9,704,000
50,000	Royal Bank of Canada	3,464,646	3,817,000
400,000	Morgan Stanley	10,005,463	13,496,090
		83,154,137	113,093,420
<b>Other</b>			
1,000,000	Highview Financial Holdings Inc. (iv)	1,000,000	1,000,000
1,000,000	Radar Capital Inc. (v)	1,300,000	291,992
		2,300,000	1,291,992
		165,953,659	201,033,925

(i) Urbana owns 58.54% of the outstanding investor shares of Caldwell India Holdings Inc. ("CIHI"), 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 51.44262 equity shares of One Chicago LLC.

(iv) Urbana holds an unsecured 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 the Bermuda Stock Exchange which have been written off and 44 mining claims in Urban township, Quebec. Mining expenditures of \$265,470 (2015 - \$47,771) have been recorded as a loss in realized gain on sale and disposal of investments.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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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 condensed 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 condensed financial statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

The condensed 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 period. 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:



# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 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 Statements 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, accounts and other 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, accounts and other 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.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 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 period 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.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 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 period by the weighted average number of common shares outstanding during the period, 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; and

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 June 30, 2016 and December 31, 2015:

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	113,093,420	-	-	113,093,420
Privately owned entities	-	6,399,994	80,248,519	86,648,513
Other	-	-	1,291,992	1,291,992
	113,093,420	6,399,994	81,540,511	201,033,925

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 2. Fair value measurement (continued)

Level 3 valuation methods – June 30, 2016

Description	Fair value *	Primary Valuation technique used	Significant unobservable inputs	Range **
<b>Private investments with no recent transactions</b>				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange shares	14,787,002	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange shares	5,376,737	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Caldwell Financial Ltd.	2,292,180	Prescribed formula in shareholder's agreement	1 x net fees plus share capital	N/A
<b>Private investments with access to recent transactions</b>				
CNSX Markets Inc.	10,515,963	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,429,084	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	148,760	Cost	N/A	N/A
Real Matters Inc.	23,599,644	Market transaction	Recent transaction price	N/A
Budapest Stock Exchange	2,748,639	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	6,950,056	Net asset value per unit	Net asset value per unit	N/A
Urbana Special Investment Holdings Ltd.	3,287,004	Market transaction	Recent transaction price	\$65,966
<b>Private investments with no market for resale</b>				
Highview Investments Limited Partnership	3,000,000	Cost	N/A	N/A
Four Lakes Capital Fund Limited Partnership	3,113,400	Market	N/A	N/A
Radar Capital Inc.	50	N/A	N/A	N/A
<b>Private debt</b>				
Radar Capital Inc.	291,992	Face value	N/A	N/A
Highview Financial Holdings Inc.	1,000,000	Face value	N/A	N/A
<b>Ending balance</b>	<b>81,540,511</b>			

\* See- Note 1 – Valuation of investments

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

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 2. Fair value measurement (continued)

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Publicly traded securities	119,856,083	-	-	119,856,083
Privately owned entities	-	6,823,259	67,459,474	74,282,733
Other	-	-	1,135,504	1,135,504
	119,856,083	6,823,259	68,594,978	195,274,320

#### Level 3 valuation methods – December 31, 2015

Description	Fair value *	Primary Valuation technique used	Significant unobservable inputs	Range **
<b>Private investments with no recent transactions</b>				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange shares	<b>16,071,074</b>	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange shares	<b>5,808,847</b>	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Caldwell Financial Ltd.	<b>2,292,180</b>	Prescribed formula in shareholder's agreement	1 x net fees plus share capital	N/A
<b>Private investments with access to recent transactions</b>				
CNSX Markets Inc.	<b>10,515,963</b>	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	<b>4,485,771</b>	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	<b>116,896</b>	Cost	N/A	N/A
Real Matters Inc.	<b>13,200,000</b>	Market transaction	Recent transaction price	N/A
Budapest Stock Exchange	<b>2,902,844</b>	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	<b>5,550,044</b>	Net asset value per unit	Net asset value per unit	N/A
Urbana Special Investment Holdings Ltd.	<b>3,515,805</b>	Market transaction	Recent transaction price	\$65,966
<b>Private investments with no market for resale</b>				
Highview Investments Limited Partnership	<b>3,000,000</b>	Cost	N/A	N/A
Radar Capital Inc.	<b>50</b>	N/A	N/A	N/A
<b>Private debt</b>				
Radar Capital Inc.	<b>135,504</b>	Face value	N/A	N/A
Highview Financial Holdings Inc.	<b>1,000,000</b>	Face value	N/A	N/A
<b>Ending balance</b>	<b>68,594,978</b>			

\* See- Note 1 – Valuation of investments

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

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 2. Fair value measurement (continued)

During the six month period ended June 30, 2016 and the year ended December 31, 2015 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	June 30, 2016		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	67,459,474	1,135,504	68,594,978
Change in unrealized gains on foreign exchange and investments	7,274,401	156,488	7,430,889
Purchases	5,514,644	-	5,514,644
Ending balance	80,248,519	1,291,992	81,540,511

	December 31, 2015		
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	47,086,244	2,200,000	49,286,244
Purchases	5,995,900	-	5,995,900
Change in unrealized gains on foreign exchange and investments	14,658,661	135,504	14,794,165
Sales	(281,331)	(1,200,000)	(1,481,331)
Ending balance	67,459,474	1,135,504	68,594,978

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 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 June 30, 2016 and December 31, 2015 are as shown below:

Level 3 valuation methods – June 30, 2016

Description	Input	Sensitivity used*	Effect on fair value (\$)
Private investments with no recent transactions	P/E Multiple	1X	617,951
	1 x net fees plus share capital	10%	229,218
Private investments with access to recent transactions	Recent transaction price	10%	4,015,125
	Net asset value per unit	10%	1,137,914
	Cost	10%	14,876
Private investments with no market for resale	Cost	10%	611,345
Private debt	Face value	10%	129,199

Level 3 valuation methods - December 31, 2015

Description	Input	Sensitivity used*	Effect on fair value (\$)
Private investments with no recent transactions	P/E Multiple	1X	670,546
	1 x net fees plus share capital	10%	229,218
Private investments with access to recent transactions	Recent transaction price	10%	3,013,461
	Net asset value per unit	10%	1,003,582
	Cost	10%	11,690
Private investments with no market for resale	Cost	10%	300,005
Private debt	Face value	10%	113,540

\*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 six month period ended June 30, 2016 and the year ended December 31, 2015, there were no transfers into/out of Level 1, Level 2 and Level 3 investments.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 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 June 30, 2016, the Company holds approximately \$1.3 million (2015 - \$ 1.1 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.

	June 30, 2016		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	4,700,000	-	4,700,000
Accounts Payable and accrued liabilities	-	941,560	941,560
	<b>4,700,000</b>	<b>941,560</b>	<b>5,641,560</b>

	December 31, 2015		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Demand Loan	5,500,000	-	5,500,000
Accounts Payable and accrued liabilities	-	927,846	927,846
	<b>5,500,000</b>	<b>927,846</b>	<b>6,427,846</b>



# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 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 6). 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 June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
	As % of	As % of
Currency	net assets	net assets
	%	%
United States Dollar	38.79	54.47
Indian Rupee	10.52	11.76
Other	1.43	1.56
	<b>50.74</b>	<b>67.79</b>

The Company's net assets would decrease or increase by approximately \$4,864,498 (2015 - \$6,306,276) 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					
June 30, 2016	<b>1,291,992</b>	-	-	-	<b>1,291,992</b>
December 31, 2015	1,135,504	-	-	-	1,135,504
Loan payable					
June 30, 2016	<b>4,700,000</b>	-	-	-	<b>4,700,000</b>
December 31, 2015	5,500,000	-	-	-	5,500,000

As at June 30, 2016, 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 \$36,258 (2015 - \$24,935). In practice, the actual results may differ materially.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 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 June 30, 2016, 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 \$11,309,342 (2015 - \$ 11,985,608) (approximately 5.90% (2015 - 6.44 %) 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 6).

### 4. Accounts and other receivables

Accounts and other receivables consist of the following:

	June 30, 2016	December 31, 2015
	\$	\$
Amounts due from broker for investments sold	-	-
Spot foreign currency contract	-	-
Deposit on investments purchased	-	-
Other	135,981	83,967
	<u>135,981</u>	<u>83,967</u>

### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	June 30, 2016	December 31, 2015
	\$	\$
Spot foreign currency contract	-	-
Amounts due to broker for investments purchased	-	-
Investment management fees payable (Note 9)	838,542	849,614
Other	103,018	78,232
	<u>941,560</u>	<u>927,846</u>

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 6. 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 June 30, 2016, the outstanding balance of the loan was \$4,700,000 (2015 - \$5,500,000) which is the fair value of the loan. The minimum amount borrowed during the period ended June 30, 2016 was \$Nil (2015 - \$3,550,000) and the maximum amount borrowed during the period ended June 30, 2016 was \$15,400,000 (2015 - \$16,050,000). As at June 30, 2016, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

### 7. 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 neighbouring properties, to explore the Urbana Township region. Beaufield has led this exploration program. On June 6, 2016, Urbana issued a press release to announce the results from its winter drilling program. Currently, geophysical work is being completed in preparation for the upcoming winter drilling program.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 8. Share capital

At June 30, 2016, share capital consists of the following:

	Six month period ended June 30, 2016		Year ended December 31, 2015	
	Number	Amount	Number	Amount
		\$		\$
<i>Authorized</i>				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
<i>Issued - common shares</i>				
Balance, beginning of 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
<i>Issued - non-voting Class A shares</i>				
Balance, beginning of period	43,388,500	125,433,378	47,548,300	137,459,094
Normal Course Issuer Bid Redemption	(388,500)	(1,123,129)	(4,159,800)	(12,025,716)
Balance, end of period	43,000,000	124,310,249	43,388,500	125,433,378
<b>Total</b>	<b>53,000,000</b>	<b>132,309,142</b>	<b>53,388,500</b>	<b>133,432,271</b>

The Non-Voting Class A shares ("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 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 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 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at June 30, 2016, Urbana has purchased 1,300,000 Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.98 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:

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 8. Share capital (continued)

<b>Normal Course Issuer Bid Period</b>	<b>Total Number of Class A Shares Purchased during the Period</b>	<b>Average Price</b>
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

### 9. 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.

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 were included as a loss in realized gain on sale and disposal of investments in 2015. As at June 30, 2016, Urbana owned 5,000,040 units of Radar Capital Fund 1 Limited Partnership which is managed by RCI. As at June 30, 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

Caldwell Securities Ltd. ("CSL"), a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. In the six month period ended June 30, 2016, the total amount of commission fees paid to CSL by Urbana in 2016 were \$360,231 (2015 - \$326,864) which were included in transaction costs.

In the six month period ended June 30, 2016, Urbana paid CSL \$180,000 (2015 - \$Nil) for investor relations, administrative services, office rental and storage which were all included in administrative expenses.

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 2016, CIM earned \$1,606,631 of investment management fees from Urbana, as compared to \$1,657,402 in 2015. The investment management fees are accrued and paid quarterly in arrears. As at June 30, 2016 there was an investment management fee payable included in accounts payable and accrued liabilities of \$838,542 to CIM (2015 - \$807,097).

All related party transactions are recorded at their exchange amounts.

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

### 10. Income taxes

The Company's provision for income taxes for the six month periods ended June 30, 2016 and 2015 is summarized as follows:

	2016	2015
	\$	\$
Net income before income taxes	9,966,101	10,045,715
Expected income taxes payable at future rates - 26.5% (2015 - 26.5%)	2,641,017	2,662,114
Income tax effect of the following:		
Non-taxable portion of realized capital transactions (gains)	(946,964)	(2,349,341)
Non-taxable portion of unrealized capital gains	(656,861)	926,113
Non-taxable dividends	(160,797)	(251,291)
Other	(176,395)	19,494
	<b>700,000</b>	<b>1,007,089</b>

represented by

Provision for deferred income taxes	700,000	(107,885)
Provision for current income taxes	87,515	1,030,160
Foreign withholding taxes	67,109	84,814
	<b>854,624</b>	<b>\$ 1,007,089</b>

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

	June 30, 2016	December 31, 2015
	\$	\$
Resource deductions available in perpetuity	(14,525)	(14,525)
Unrealized capital gains on investments	4,648,131	3,983,193
Non-capital loss carryforwards at June 30, 2016	(622,367)	(328,548)
Other	8,761	(320,120)
Total deferred income tax liability	<b>4,020,000</b>	<b>3,320,000</b>

# Urbana Corporation

## Notes to the condensed interim financial statements for the six month period ended June 30, 2016 (Unaudited)

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### 11. 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.

### 12. Approval of financial statements

The Financial Statements were approved by the Board of Directors and authorized for issue on August 9, 2016.