URBANA CORPORATION

2016

2016 ANNUAL REPORT

Corporate Information

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DIRECTORS AND OFFICERS OF THE COMPANY:

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Toronto, Ontario

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Michael B.C. Gundy
Director
Toronto, Ontario

Charles A.V. Pennock
Director
Toronto, Ontario

Sylvia V. Stinson
Chief Financial Officer

Harry K. Liu
General Counsel and Corporate Secretary

Urbana Corporation's Common Shares and Non-Voting Class A Shares are listed for trading on the Toronto Stock Exchange and the Canadian Securities Exchange.
Ticker Symbols:
URB (Common Shares)
URB.A (Non-Voting Class A Shares)

Website: www.urbanacorp.com

URBANA CORPORATION

REPORT TO SHAREHOLDERS

The phrase “May you live in interesting times” certainly held for 2016.

Within overall improving equity markets, there were many opportunities to “get it wrong”. It was very easy to respond to economic, geopolitical and media shocks and miss the underlying trend, because there was no coherent, year-long trend.

The early part of the year saw equity markets respond to political, currency, China and resource pricing concerns. The decline culminated on February 11, 2016, and the gradual improvement in markets continued for the next two quarters. Surprises such as Brexit and the U.S. election tested the resolve of many portfolio managers. Over the year, media added to volatility, as they usually do, with either biased or extreme coverage.

One of the positive factors coming out of 2016 is that popular media became viewed with a greater degree of skepticism – particularly the so called “experts” who missed both Brexit and Trump.

Early in the year, we added to what we called our “Canada Inc.” holdings which encompassed Canadian banks, energy and mining enterprises. These positions worked well for Urbana with the standout being Teck Resources Ltd. (“TECK.B”), which recorded a gain of over 330%. Our bank and energy positions recorded gains of approximately 20%.

Urbana’s major public share weighting continued to be in the U.S. financial services sector, which also provided excellent returns. Throughout the year we lightened some of these positions, partly to expedite the “Canada Inc.” trade, lock-in some profits and maintain buying power.

Towards the end of the year, we reversed part of Urbana’s Canadian bank holdings by selling Royal Bank (“RY”) and purchasing Deutsche Bank (“DB”). Our rationale was the difference in the multiples of net tangible assets per share with Deutsche Bank trading at a significant discount from comparable Canadian banks. Deutsche Bank did have regulatory concerns in the way of a massive $14 billion fine from the United States, but it was our correct assessment that this would be cut in half, which happened in December 2016. We felt it was poor form for a U.S. regulator to destabilize one of Europe’s largest banks, particularly at a time when overall economic concerns in Europe were paramount.

Our U.S. bank and financial services holdings were purchased on the belief that U.S. regulators would ease their oppressive regime of continuing to punish that sector for the 2008 financial collapse. These organizations have significant earnings power if even partially unfettered.

It was interesting that the surprise election of Mr. Trump caused a massive market decline for about three hours. After that, the upward move or “Trump Rally” continued through the year-end. Part of that positive perception was President Trump’s commitment to ease regulatory burdens and taxes on U.S. companies and get America back to work. This accelerated our thesis of regulatory ease. Time will tell if expectations and reality coincide. Urbana did “cash in” strategically with some of its public holdings during this rally period. Our public holdings still remain heavily skewed to the U.S. dollar and U.S. financial institutions.

Our private equity component experienced gains in Real Matters, Radar Capital Fund 1 Limited Partnership and the Bombay Stock Exchange.

As of year-end, the Bombay Stock Exchange had filed a prospectus for a public share offering in the first quarter of 2017. This offering was completed on February 3, 2017. Further, it is anticipated that Real Matters will seek to do the same later in the year.

Urbana’s 44 claim (1,115.44 hectares or 2,756.31 acres) gold prospect in Urban Township, Quebec, is surrounded by extremely active mining companies who are achieving excellent drill results. Urbana Corporation will do some low budget work on the ground in order to increase our knowledge of these claims.

It is our anticipation to eventually do a deal with a dedicated mining company rather than fully develop the property ourselves. It is a question of results and timing. Our shareholders will be kept informed as events develop.

After the turn of the year 2016/17, the directors of Urbana Corporation authorized the regular $0.05 annual share dividend and an additional special $0.05, for a total of $0.10 per share, which was paid on the 31st day of January, 2017 to shareholders of record at the close of business on the 17th day of January, 2017.

A few thoughts about the future. America under President Trump will probably be alright. He has strong people around him (Rex Tillerson et al) who are not pushovers, if the President is going too far. The fact he is attempting to simplify regulations and taxes is a good thing. The market is telling us that. Internationally, it’s a different matter. If America tries to enter into all trade deals on a "we win" and not a "win win" basis with other countries, there exists the possibility of a trade war at some point in the future.

Our greatest concern however, is the deep division within America which precludes discussion and compromise. America is definitely now a “house divided” and that can impact good governance.

Our task as Portfolio Managers is to trade the trend and look to potential reversals of that trend. We will maintain our present focus at least into the first quarter of 2017.

The management of Urbana Corporation would specifically like to thank the teams at both Caldwell Investment Management Ltd. and Caldwell Securities Ltd. for their skill and professionalism in achieving excellent investment results in 2016 with the net assets per share growing at 30.75%, as well as outstanding annually compounded net assets per share performance since Urbana's inception in October 2002 of 16.24%.

Urbana’s share market price improvement for the calendar year 2016 was 45.9% ($2.05 to $2.99) for the “A” shares and 43.9% ($2.05 to $2.95) for the common shares.

Wishing everyone a prosperous 2017.

On behalf of the Board of Directors

Thomas S. Caldwell, C.M.

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URBANA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2016

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, 2016 (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 15, 2017. The Corporation's Audit Committee 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 Annual Audited Financial Statements, 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 IFRS.

NON-GAAP MEASURES

The Corporation prepares and releases audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS, but complements IFRS results in this MD&A with "net assets per share", a financial measure which is not recognized under IFRS and that does not have a standard meaning prescribed by IFRS. The three financial measures used to calculate "net assets per share", namely assets, liabilities and number of shares outstanding, are individually recognized under IFRS, but "net assets per share" is not. The calculation of net assets per share as at December 31, 2016 and 2015 is presented in the following table:

	2016	2015
Assets ($)	260,141,738	195,791,525
LESS Liabilities ($)	23,464,936	9,747,846
EQUALS Net Assets ($)	236,676,802	186,043,679
DIVIDED BY Number of Shares Outstanding	52,863,200	53,388,500
EQUALS Net assets per share ($)	4.48	3.48

The Corporation provides this non-IFRS measure because it believes this measure can provide information that may assist shareholders to better understand the Corporation's performance and to facilitate a comparison of the results of ongoing operations. No measure that is calculated in accordance with IFRS is directly comparable to or provides investors with this net assets per share information. As a result, no quantitative reconciliation from "net assets per share" to an IFRS measure is provided in this MD&A.

Non-IFRS measures should not be construed as alternatives to net comprehensive income (loss) determined in accordance with IFRS as indicators of the Corporation's performance and readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS.

BUSINESS STRATEGY AND RISK FACTORS

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. There were no material changes to Urbana's investment style in 2016 that affected the overall level of risk associated with investment in the Corporation. Some of the risk factors associated with investing in Urbana are described in Urbana's most recent annual information form which is available on the Corporation's website www.urbanacorp.com and on SEDAR www.sedar.com. Risks and uncertainties that may materially affect Urbana's future performance include individual corporate risk, macroeconomic risk, currency risk and product price risk.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

The first quarter of 2016 ("Q1") witnessed a decline in public equity markets and Urbana's net assets per share declined by 3.98% during that period. Approximately midway through Q1, equity markets turned positive, but volatility persisted.

In the second quarter of 2016 ("Q2"), investor confidence began to return and equity markets stabilized and started to move upward. During this period, Urbana traded some existing positions and started to replace weightings in the U.S. banking sector. Urbana's net assets per share increased by 10.03% in Q2 (5.65% for the six months ended June 30, 2016).

In the third quarter of 2016 ("Q3"), Urbana continued to build its U.S. bank position and took some profits in Teck Resources Inc., Barrick Gold Corporation and Suncor Energy Products Inc. Urbana also sold the last of its AGF Management Ltd. position in order to use that loss to offset the capital gains captured in the above trades. Urbana's net assets per share increased by 5.52% in Q3 (11.49% for the nine months ended September 30, 2016).

In the fourth quarter of 2016 ("Q4"), Urbana purchased Deutsche Bank and took some profits in Teck Resources, Royal Bank, Bank of America and Morgan Stanley. Urbana's net assets per share increased by 17.28% in Q4 from $3.82 to $4.48 per share. During that same period, the S&P/TSX Composite Index ("TMX") was up 4.54% and the Dow Jones Industrial Average Index ("DJI") was up 8.66%.

In 2016, Urbana's net assets per share experienced a 30.75% increase (8.67% in 2015) from $3.48 to $4.48 per share, taking into consideration a five cents ($0.05) per share dividend paid to shareholders in February 2016.[1] During the same period, the TMX was up 21.08% and the DJI was up 16.50%. Unlike the TMX, Urbana does not have heavy weightings in gold and metals. Urbana's two resource positions in those sectors (Barrick and Teck) performed well in 2016.

Overall, Urbana realized approximately $10.93M in public share profits in 2016 compared to $10.60M in 2015.

A stronger Canadian dollar during most of the first half of 2016 meant our large U.S. dollar denominated holdings held performance down. The Canadian dollar appeared to be weakening in Q3 and beyond. Urbana is still negatively disposed toward the Canadian dollar, given depressed oil prices, relatively slow world economic conditions and anti-world trade concerns.

Urbana's private investments are proving successful and some are now maturing. Urbana expects that component of its investment portfolio to add to its overall results in the future. Real Matters has been a standout performer. On April 4, 2016, Urbana announced that it increased its investment in Real Matters by $2.48M and on November 1, 2016, Urbana announced that it further increased its investment in Real Matters by $1.6M. These investments represented Urbana's fourth and fifth share purchases in Real Matters since December 2013. As of December 31, 2016, Urbana's Real Matters investment was valued at $32.6M and the cost of Urbana's stake in Real Matters was $12.18M.

Urbana received a distribution of $0.8M from Radar Capital Fund I Limited Partnership ("Radar I LP") in Q4 as a result of Radar I LP's sale of a portion of its investment in Real Matters Inc. Radar Capital Inc. continues to show growth and the value of Urbana's investment in Radar I LP increased by approximately $1.7M during 2016. In light of Urbana's very positive experience with Radar's first pool, in Q3 Urbana invested $3M in Radar Capital Inc.'s second limited partnership, Radar Capital Fund II Series F Limited Partnership. Urbana continues to feel growth equity financing is an expanding sector, as companies try to avoid becoming publicly traded entities for as long as possible.

On February 3, 2017, The Bombay Stock Exchange ("BSE"), a position Urbana has held for some time, completed an initial public offering of BSE shares (an "IPO"). Shares of the BSE are now listed on the National Stock Exchange in India. Urbana sold approximately 26.6% of its BSE shares into the IPO and is now valuing its remaining holdings at the closing market price less a liquidity discount until the lock up period for the BSE shares expires on February 1, 2018.

Another candidate for an IPO, Real Matters Inc., is expected to target their public offering in 2017. That company completed a private placement of secondary market shares on November 2, 2016 at a price of $5.25 per share. As a result, subsequent to the closing of the private placement transaction, Urbana marked up the value of the Real Matters shares it holds from $4.00 to $5.25 per share. This potential IPO can be accretive to Urbana's net assets.

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

Early in 2016, we added to our holdings in Canadian banks, energy and mining enterprises, which we sometimes refer to as "Canada Inc." These positions worked well for Urbana with the standout being TECK.B, which recorded a gain of over 330% in 2016. Our bank and energy positions recorded gains of approximately 20% in 2016.

Looking forward beyond Q4, one theme that is becoming apparent is the widespread backlash to globalization and world trade. Protectionism and nationalism have become widespread sentiments.

Brexit is a symptom of this, as is the mood of a section of the American electorate and the problems arising before the recent approval of the Comprehensive Economic and Trade Agreement (CETA) between the European Union and Canada.

This trend, especially as exhibited by America, can have a significant impact on Canada's manufacturing base and thus, Canada's economy and currency.

Urbana sees this as good reason to be "inside America" with our high proportion of U.S. equities and financials. The U.S. economy is still experiencing low interest rates, low inflation and weak economic growth.

The surprise election of U.S. President Trump in November 2016 caused a massive market decline for about three hours, which was followed by an upward move or "Trump Rally" which continued through the year-end. Part of that positive perception was President Trump's commitment to ease regulatory burdens and taxes on U.S. companies and get America back to work. This validated our belief that in a Trump administration there may be regulatory easing. Urbana did "cash in" strategically with some of its public holdings during this rally period. Our public holdings still remain heavily skewed to the U.S. dollar and U.S. financial institutions.

Urbana's publicly traded investment portfolio remains heavily weighted toward the U.S. financial services sector. These positions also provided excellent returns in 2016. Throughout the year, we lightened some of these positions, partly to expedite the "Canada Inc." trade, lock-in some profits and maintain buying power.

Towards the end of the year, we reversed part of Urbana's Canadian bank holdings by selling the Royal Bank and purchasing Deutsche Bank ("DB"). Our rationale was the difference in the multiples of net tangible assets per share with DB trading at a significant discount from comparable Canadian banks. DB did have regulatory concerns in the way of a massive $14 billion fine from the United States, but it was our correct assessment that this fine would be cut in half. This fine reduction did in fact take place in December 2016.

Brexit, currency movements, geopolitical issues, and regulatory concerns and penalties have put U.S. financial organizations under great pressure. Urbana's thesis is that, having passed regulatory "stress testing" (Morgan Stanley received only a conditional pass), these companies are well positioned to weather even the most challenging of financial markets. They are now able to increase dividends and aggressively repurchase their own shares.

As for Canada, Urbana is still optimistic on the resource sector as well as our major Canadian banks with their high yield and protected status. Regarding Canadian currency, Urbana's view is the Canadian dollar can weaken from current levels.

During any given quarter, Urbana seeks out opportunistic trades which generally reflect our strategic thinking. These are short-term positions. Urbana has approximately 48% of its investments in U.S. securities and thus benefits from any decline in the Canadian dollar.

Management remains optimistic about Urbana's asset growth going into 2017.

Looking forward beyond 2016, we expect gradual economic growth and a degree of confidence in both the United States and Canada. Urbana expects its focus to remain in North America, as it is increasingly being seen as a "safe haven", despite current turmoil. The U.S. dollar remains firm as its position relative to other currencies has become enhanced with both the Brexit vote and Chinese economic concerns.

On balance, 2016 was a successful year for Urbana, with our net assets per share growing by approximately 30.75%, including a $0.05 dividend paid in February 2016. This eclipses the performance of most broad North American equity indices.

Urbana's experience in 2016 reinforces its 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, wherein one sector's performance can augment the other's over varying time frames and market cycles. Urbana's investment performance over the years validates this thesis and operating style.

In the year ended December 31, 2016, dividend income and interest income were $2.39M and $88,206 respectively (2015 - $3.62M and $0.1M). The decrease in dividend income was a result of holding fewer dividend generating investments in 2016 as compared to 2015. The decrease in interest income was mainly the result of a write-off of the Corporation's loan investment in Edgecrest Capital Holdings Inc. in August 2015.

Urbana realized a net gain of $9.44M from the sales and dispositions of investments in 2016 (2015 - $9.65M). The realized capital gains reflected the disposition of investments in Teck Resources ($5.44M), Bank of America ($2.82M), CBOE Holdings ($2.25M), Intercontinental Exchange Group ($2.0M), Barrick Gold ($1.33M), Morgan Stanley ($1.07M) and Royal Bank ($1.0M). These gains were partially offset by capital losses realized on the disposition of investments in AGF Management ($4.7M) and the Budapest Stock Exchange ($2.0M).

The key growth drivers behind $55.66M in unrealized gains in 2016 were the overall improvements in Urbana's portfolio of publicly traded securities. Teck Resources and Barrick Gold were Urbana's best Canadian performers in 2016. U.S. holdings Bank of America and Morgan Stanley also generated good results. Of the private investments, Real Matters Inc. increased in value. Together these investments added approximately $40M in unrealized gains in 2016.

During the year ended December 31, 2016, Urbana recorded net income before income taxes of $61M (2015 - $10.85M) as a result of large unrealized gains on investments. Investment management fees were $3.51M (2015 - $3.34M), foreign withholding tax recovery was $0.39M (2015 - $0.16M expense) and transaction costs were $0.56M (2015 - $0.51M).

Urbana also continued its buy-back of its non-voting Class A shares ("Class A shares") with the purchase and cancellation of 525,300 Class A shares in 2016 at an average purchase price of $2.04 per Class A share. Urbana has traditionally bought back the maximum number of shares allowable each year under normal course issuer bid rules. Looking beyond 2016, it appears that the amount of Class A shares offered for sale has thinned out. This may result in reduced purchases, despite Urbana's best efforts. If and when larger blocks of Class A shares become available, it is Urbana's intention, under the normal course issuer bid rules, to acquire them.

Financial Highlights

The following table shows selected key financial information about Urbana and is intended to help you understand Urbana's financial performance in the fiscal year ended December 31, 2016 and for the prior three financial years:

Ratios and Supplemental Data				
	2016	**2015**	**2014**	**2013**
Total net assets[(1)]	$236,676,802	$186,043,679	$187,135,092	$174,854,341
Shares outstanding[(1)]	52,863,200	53,388,500	57,548,300	60,525,200
Closing market price (common)	$2.95	$2.05	$2.09	$1.85
Closing market price (Class A)	$2.99	$2.05	$1.97	$1.88

(1) This information is provided as at the end of the stated financial period.

Selected Annual Information

The following table shows selected annual information about Urbana for the fiscal years ended December 31, 2016, 2015 and 2014.

		2016 ($)	2015 ($)	2014 ($)
Total revenue		67,578,531	16,547,326	28,168,417
Profit from continuing operations attributable to owners of the parent:				
	Total	54,375,308	10,318,568	20,866,108
	Per share	1.02	0.19	0.35
	Diluted per share	1.02	0.19	0.35
Profit attributable to owners of the parent:				
	Total	54,375,308	10,318,568	20,866,108
	Per share	1.02	0.19	0.35
	Diluted per share	1.02	0.19	0.35
Total assets		260,141,738	195,791,525	194,541,599
Total non-current financial liabilities		10,334,000	3,320,000	2,870,000
Cash dividends declared per share:				
	Common shares	0.05	0.05	0.05
	Class A shares	0.05	0.05	0.05

Revenue and profit levels in 2016, 2015 and 2014 were determined primarily by the unrealized and realized gains on the Corporation's investment portfolio. Variations among the years relate to the investment decisions made, market price fluctuations of the investment portfolio and changes in foreign exchange rates. There have been no changes in accounting policies during the years 2014 to 2016 as IFRS was adopted effective January 1, 2014. There have been no discontinued operations during the years 2014 to 2016. Total assets have increased each year during the three years ended December 31, 2016 as a result of increasing market values of the investment portfolio. Similarly, non-current financial liabilities, namely deferred income tax liability, have also increased as a result of increased unrealized gains. Dividends have remained constant over the three years ended December 31, 2016 and were increased to $0.10 per share in January 2017 as a result of a one-time special dividend of $0.05 per share due to the excellent 2016 results.

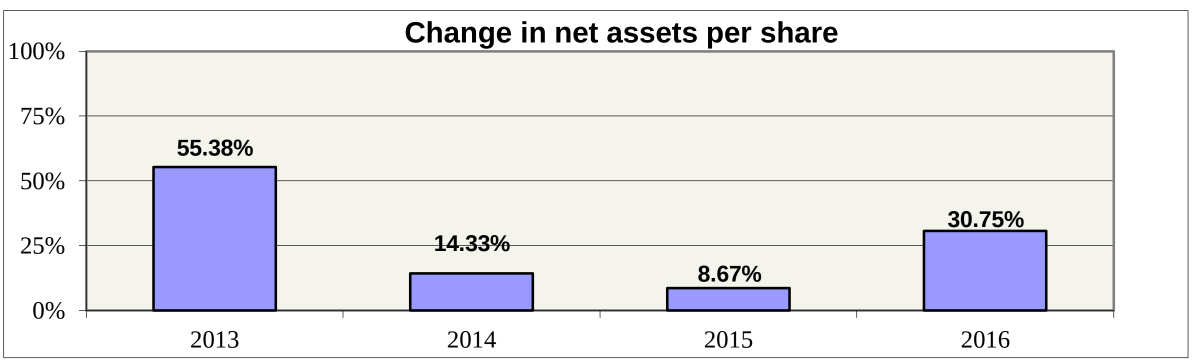
Past Performance

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 performance of Urbana's common shares for the financial periods indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period based on the net assets per share of Urbana.

Urbana's 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 net assets calculation.



Summary of Investment Portfolio
As at December 31, 2016

The following data is extracted from Urbana's financial statements for the year ended December 31, 2016:

Number of shares, units or seats	Description	Cost ($)	Fair value ($)	% of Portfolio Fair Value
Privately owned entities				
2,350,563	Caldwell India Holdings Inc.(i)	25,599,727	17,371,898	6.68%
791,000	Urbana Mauritius Inc. (ii)	7,312,848	6,025,177	2.32%
11,684,403	Canadian Securities Exchange (formerly CNSX)	5,829,521	10,515,963	4.04%
32	Minneapolis Grain Exchange (seats)	7,279,359	7,080,744	2.72%
800,000	Caldwell Financial Ltd.	1,826,650	2,432,000	0.94%
5,000,040	Radar Capital Fund 1 Limited Partnership (iii)	4,683,729	7,235,338	2.78%
300,000	Radar Capital Fund II Series F Limited Partnership	3,000,000	3,000,000	1.15%
6,209,431	Real Matters Inc.	12,179,624	32,599,513	12.54%
50	Radar Capital Inc.	50	50	--
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000	1.15%
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,300,600	1.27%
406,066	Caldwell Growth Opportunities Trust (iv)	3,400,000	4,374,225	1.68%
100	Urbana Special Investment Holdings Ltd. (v)	2,894,499	3,352,413	1.29%
340,884	Highview Financial Holdings Inc.	207,518	194,304	0.07%
24,683	Bermuda Stock Exchange	533,099	73,816	0.03%
Publicly traded securities				
150,000	CBOE Holdings Inc.	4,959,550	14,863,528	5.72%
150,000	Intercontinental Exchange Group Inc.	6,230,769	11,349,306	4.37%
250,000	Citigroup Inc.	11,699,826	19,924,650	7.66%
975,000	Bank of America Corp.	13,600,935	28,896,275	11.11%
375,000	Suncor Energy	12,777,151	16,462,500	6.33%
350,000	Barrick Gold Corp.	6,174,997	7,517,899	2.89%
330,000	Teck Resources Ltd. Class B	2,355,863	8,867,100	3.41%
100,000	Canadian Imperial Bank of Commerce	9,032,380	10,956,000	4.21%
480,000	Morgan Stanley	13,312,369	27,196,494	10.46%
400,000	Deutsche Bank AG	8,983,403	9,709,202	3.73%
28,500	Industrial Alliance Insurance and Financial Services	1,586,025	1,521,615	0.59%
	Other			
1,500,000	Highview Financial Holdings Inc. (vi)	1,500,000	1,500,000	0.58%
100,000	Highview Financial Holdings Inc. (vii)	100,000	100,000	0.04%
1,300,000	Radar Capital Inc. (viii)	1,300,000	191,219	0.07%
	Cash and Cash Equivalents	386,699	386,699	0.15%
	Total	174,746,591	259,998,528	100.00%

[(i)] Urbana owns 58.54% of the outstanding investor shares of Caldwell India Holdings Inc. ("CIHI"), which holds 2,007,772 equity shares (previously 4,015,544 equity shares prior to a 2:1 consolidation) 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 395,500 equity shares (previously 791,000 equity shares prior to a 2:1 consolidation) of the Bombay Stock Exchange.

(iii) Radar Capital Fund 1 Limited Partnership owns 24% of the debt and equity of Highview Financial Group.

(iv) Caldwell Growth Opportunities Trust owns 24% of the equity shares of CIHI and 8% of the units of Radar Capital Fund 1 Limited Partnership.

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

(vi) Urbana holds an unsecured promissory note repayable on April 22, 2017 with a semi-annual interest payment of 83,853 common shares.

(vii) Urbana holds an unsecured promissory note repayable on April 22, 2017 with a semi-annual interest payment of 12,000 common shares.

(viii) Urbana holds an unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. Mining expenditures of $464,129 (2015 - $180,003) have been recorded as a loss in realized gain on sale and disposal of investments, in accordance with IFRS 6.

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"). On March 2, 2015 the loan facility agreement was amended to allow Urbana to borrow up to $25M. 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, 2016, the outstanding balance of the loan was $11.8M, representing 5.0% of the net assets of Urbana (2015 - $5.5M and 2.96%). The minimum and maximum amount borrowed during 2016 was $Nil and $16M respectively (2015 - $Nil and $16.05M respectively). 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 29, 2016, the Toronto Stock Exchange (the "TSX") accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,244,598 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, 2016, and will terminate on the earlier of August 30, 2017, the date Urbana completes its purchases pursuant to the notice of intention to conduct a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. The Class A shares purchased under the NCIB must be cancelled. As at December 31, 2016, Urbana had purchased 104,400 Class A shares pursuant to the NCIB at an average purchase price of $2.35 per share.

Pursuant to a previous notice of intention to conduct a normal course issuer bid accepted by the TSX on August 27, 2015 for the period August 31, 2015 to August 30, 2016, Urbana had purchased 1,332,400 Class A shares on the open market at an average purchase price of $1.98 per share.

Acquisitions and Dispositions of Portfolio Investments

From January 1, 2016 to December 31, 2016, Urbana made the following significant acquisitions and dispositions of portfolio investments:

Acquisitions

Investments	Quantity (units/shares)	Cost ($)
Canadian Imperial Bank of Commerce	60,000	5,244,063
Horizons Betapro NYMEX Crude Oil	100,000	303,600
Osisko Gold Royalties Ltd.	32,000	452,800
Royal Bank of Canada	50,000	3,464,646
Suncor Energy Inc.	300,000	9,562,643
Teck Resources Ltd. Class B	250,000	1,640,330
Bank of America Corp.	350,000	6,202,164
Morgan Stanley	150,000	5,460,096
Four Lakes Capital Fund Limited Partnership	3,000,000	3,000,000
Highview Financial Holdings Inc.	235,804	183,680
Hydro One	156,000	3,689,400
Radar Capital Inc.	300,000	300,000
Real Matters Inc.	929,431	4,104,624
Iamgold Corp.	406,200	2,730,074
Lundin Gold Inc.	200,000	1,100,000
TMX Group Ltd.	10,000	577,000
Radar Capital Fund II Series F Limited Partnership	300,000	3,000,000
Citigroup Inc.	50,000	2,986,578
Caldwell Financial Ltd.	41,000	118,900
Industrial Alliance Insurance and Financial Services	28,500	1,586,025
Deutsche Bank AG	400,000	8,983,403
Highview Financial Holdings Inc. Promissory Note	500,000	500,000
Horizons Betapro S&P 500	100,000	443,734

Dispositions

Investments	Quantity (units/shares)	Cost Base[1] ($)	Proceeds[1] ($)
Canadian Imperial Bank of Commerce	10,000	947,079	888,038
Suncor Energy Inc.	175,000	6,127,440	6,086,509
Teck Resources Ltd. Class B	670,000	4,765,286	10,149,670
Bank of America Corp.	325,000	3,990,687	6,746,651
Morgan Stanley	70,000	1,755,676	2,807,140
CBOE Holdings Inc.	40,000	1,322,547	3,558,426
Citigroup Inc.	50,000	2,178,312	2,706,028
Intercontinental Exchange Group Inc.	15,000	3,115,384	5,104,277
AGF Management Ltd.	600,000	7,650,479	2,934,274
BCE Inc.	20,000	1,142,000	1,099,439
Barrick Gold Corp.	350,000	6,123,789	7,412,297
Osisko Gold Royalties Ltd.	32,000	452,800	478,135
Horizons Betapro NYMEX Crude Oil	100,000	303,600	366,011
Hydro One	156,000	3,689,400	3,703,371
Iamgold Corp.	406,200	2,730,074	2,305,091
Lundin Gold Inc.	200,000	1,100,000	1,232,636
Budapest Stock Exchange	169,341	4,761,242	2,774,713
Royal Bank of Canada	50,000	3,464,646	4,450,837
TMX Group	10,000	577,000	612,283
Horizons Betapro S&P 500	100,000	443,734	351,534

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

Mining Claims

Urbana has owned mineral claims 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 mineral claims if and when it is deemed suitable. In November 2014, Urbana entered into an exploration agreement with Beaufield Resources Inc. ("Beaufield"), a company that owns neighbouring properties, to explore the Urban 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. Geophysical work has been completed on previously unexplored portions of our claim group. Urbana is in the process of developing an exploration program for the upcoming 2017 winter season which will include diamond drilling and is expected to cost between $300,000 and $600,000 depending on results.

Urbana has incurred mining expenditures totaling $0.66M of which $0.46M has been recorded as a loss in realized gain on sale and disposal of investments in 2016, in accordance with IFRS 6. Management has elected to expense exploration and evaluation costs related to the mineral claims as the property holds no known proven reserves or resources. Although the property has several interesting gold occurrences, there has been no ore body tonnage proven up as yet. The property is therefore still highly speculative. If ore body type tonnage is proven up in the future, and the determination has been made to move into the development phase, then future expenditures on development will be capitalized and tested for impairment. The amount of money laid out on exploration has not been material for Urbana and is expected to continue to be immaterial for the near-term.

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 the 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 the 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. On January 4, 2017, Urbana's board of directors declared a regular cash dividend of five cents ($0.05) per share, plus a special cash dividend of five cents ($0.05) per share, for a total of ten cents ($0.10) per share, on the issued and outstanding common and Class A shares of Urbana, payable on January 31, 2017 to the shareholders of record at the close of business on January 17, 2017. 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 Share Data

As at March 15, 2017, the Corporation has 10,000,000 common shares and 40,762,800 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. As at December 31, 2016, Urbana owned 5,000,040 units of Radar Capital Fund I Limited Partnership and 300,000 units of Radar Capital Fund II Series F Limited Partnership, both of which are managed by RCI.

As at December 31, 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM – refer to “Summary of Investment Portfolio” 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, 2016, December 31, 2015, December 31, 2014, December 31, 2013 and December 31, 2012 were \$0.53M, \$0.51M, \$0.14M, \$0.67M and \$0.28M respectively.

In the year ended December 31, 2016, Urbana paid Caldwell Securities Ltd. \$30,000 per month (plus applicable sales taxes) for investor relations services, office and conference room access for Urbana’s directors and officers, and accounting services including the services of an individual to perform the function of Urbana’s chief financial officer.

As at December 31, 2016, there were no fees payable to related parties, other than a management fee of \$1.0M payable to CIM (2015 - \$0.84M).

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 2016, CIM earned \$3.5M of investment management fees from Urbana (2015 - \$3.3M). The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2016 there was an investment management fee of \$1.0M payable to CIM.

SUMMARY OF QUARTERLY RESULTS

The table below shows the key operating results of the Corporation for the six completed quarters since the Corporation’s Reclassification.

	4th Quarter 2016 (\$)	**3nd Quarter 2016 (\$)**	**2nd Quarter 2016 (\$)**	**1st Quarter 2016 (\$)**	**4th Quarter 2015 (\$)**	**3rd Quarter 2015 (\$)**
Realized gain (loss)	4,905,156	(2,615,790)	1,407,292	5,739,608	(3,182,833)	(4,897,552)
Change in unrealized gain (loss)	35,829,988	14,874,812	19,282,334	(14,324,894)	10,555,542	(471,858)
Dividend income	665,481	638,646	570,277	517,415	594,253	619,344
Interest income (reversal of interest income)	35,411	17,534	17,590	17,671	33,028	(15,446)
Total expenses	1,917,374	1,404,185	1,626,296	1,634,896	1,257,740	1,177,240
Net income (loss) before income taxes	39,518,662	11,511,017	19,651,197	(9,685,096)	6,742,250	(5,942,752)
Net assets per share (beginning of period)	3.82	3.62	3.29	3.48	3.35	3.41
Net assets per share (end of period)	4.48	3.82	3.62	3.29	3.48	3.35

Fourth Quarter

Realized gains in Q4 increased significantly over the realized losses in Q3. This quarter over quarter variation does not reflect any type of pattern or seasonality. Rather, variations relate to the timing of investment decisions. Unrealized gains in Q4 also increased significantly over the previous five quarters as a result of favorable market conditions, particularly in the U.S., primarily as a result of President Trump's commitment to ease regulatory burdens on U.S. companies. Net income before income taxes and net assets per share increased accordingly in Q4. See also heading *Overall Performance and Discussion of Operations* above for additional Q4 information.

Liquidity and Capital Resources

The Corporation has no significant financial or contractual obligations other than a demand loan facility with a major Canadian bank – refer to "Demand Loan Facility" above. The Corporation currently holds approximately 58% of its assets, with a fair value of approximately $152M, in marketable securities. It has the liquidity to readily meet all of its operating expense requirements and its obligations under the loan facility.

In 2016, 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 to fund from sources other than the existing loan facility or by liquidating some of its marketable securities.

Currently, holdings of readily marketable securities generate dividend or interest income and can be disposed of with relative ease. Should in future the composition of its portfolio be weighted significantly more toward private investments which do not produce income and cannot be readily sold, the Corporation may need to rely on its credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of the Corporation's financial statements in accordance with IFRS requires management to make estimates and exercise judgments that 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. The following discusses the most significant accounting judgments that Urbana has made in preparing the financial statements:

Fair value measurement of private investments

Urbana holds private investments that are not quoted in active markets and for which there may or may not be recent comparable transactions. In determining the fair value of these investments, Urbana has made significant accounting judgments and estimates. See Notes 1 and 2 of the Annual Audited Financial Statements for more information on the fair value measurement techniques and types of unobservable inputs employed by the Corporation in its valuation of private investments.

CHANGES IN ACCOUNTING POLICIES

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception have been applied by the Corporation for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has no impact on the Corporation's financial statements.

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.

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

Urbana's management ("Management"), under the supervision of its chief executive officer ("CEO") and chief financial officer ("CFO"), is responsible for establishing and maintaining the Corporation's DC&P and ICFR (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*).

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, 2016 (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, 2016 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 IFRS.

The Corporation's CEO and CFO have evaluated the effectiveness of the Corporation's DC&P as at December 31, 2016 and have concluded that after having taken 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, 2016, 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 January 1, 2016 and ending on December 31, 2016 that have materially affected, or are 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.

FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Corporation, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Corporation's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Corporation's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes that the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Corporation's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Corporation's dependence on its management team; risks affecting the Corporation's investments; global political and economic conditions; investments by the Company in private issuers which have illiquid securities; management of the growth of the Corporation; exchange rate fluctuations; and other risks and factors referenced in this MD&A including under "Business Strategy and Risk Factors".

Although the Corporation has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

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Audited Financial Statements of

Urbana Corporation

December 31, 2016 and December 31, 2015

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Urbana Corporation
December 31, 2016 and December 31, 2015

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Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying financial statements of Urbana Corporation, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 15, 2017

Urbana Corporation

Statements of financial position
as at December 31, 2016 and December 31, 2015

(In Canadian dollars)

	December 31, 2016	December 31, 2015
	$	$
Assets		
Cash	**386,699**	345,723
Investments, at fair value (Notes 2 and 3)	**259,611,829**	195,274,320
Accounts and other receivables (Note 4)	**143,210**	83,967
Current income taxes	**-**	87,515
	260,141,738	195,791,525
Liabilities		
Loan payable (Note 6)	**11,800,000**	5,500,000
Accounts payable and accrued liabilities (Notes 5 and 9)	**1,330,936**	927,846
Deferred income tax liability (Note 10)	**10,334,000**	3,320,000
	23,464,936	9,747,846
Shareholders' equity		
Share capital (Note 8)	**131,913,662**	133,432,271
Contributed surplus	**67,335,274**	66,889,412
Retained earnings (deficit)	**37,427,866**	(14,278,004)
Shareholders' equity representing net assets	**236,676,802**	186,043,679
Total liabilities and shareholders' equity	**260,141,738**	195,791,525
Number of shares outstanding (Note 8)	**52,863,200**	53,388,500

See accompanying notes

Approved by the Board

_______________________________ Director

_______________________________ Director

Urbana Corporation

Statements of comprehensive income
for the years ended December 31, 2016 and December 31, 2015
(In Canadian dollars)

	2016	2015
	$	$
Revenue		
Net realized gain on sale and disposal of investments	**9,436,266**	9,650,495
Net change in unrealized gain on investments	**55,662,240**	3,172,813
Dividends	**2,391,819**	3,622,177
Interest revenue	**88,206**	101,841
	67,578,531	16,547,326
Expenses		
Investment management fees (Note 9)	**3,513,461**	3,338,609
Interest	**359,281**	281,290
Administrative (Note 9)	**1,354,543**	976,597
Transaction costs (Note 9)	**559,487**	505,584
Professional fees	**795,979**	275,094
Other tax adjustments	**-**	324,939
	6,582,751	5,702,113
Net income before income taxes	**60,995,780**	10,845,213
(Recovery of) current income taxes (Note 10)	**-**	(87,515)
Foreign withholding tax expense (recovery) (Note 10)	**(393,528)**	164,160
Provision for deferred income taxes (Note 10)	**7,014,000**	450,000
Income tax expense	**6,620,472**	526,645
Total profit and comprehensive income for the year	**54,375,308**	10,318,568
Basic and diluted earnings per share	**1.02**	0.19
Weighted average number of shares outstanding	**53,076,669**	55,332,500

See accompanying notes

Urbana Corporation

Statements of changes in equity
for the years ended December 31, 2016 and December 31, 2015

(In Canadian dollars)

	Share capital	Contributed surplus	Retained earnings/ (deficit)	Total
	$	$	$	$
Balance at January 1, 2015	145,457,987	63,396,249	(21,719,144)	187,135,092
Total profit for the year	-	-	10,318,568	10,318,568
Dividends paid	-	-	(2,877,428)	(2,877,428)
Normal course issuer bid repurchases	(12,025,716)	3,493,163	-	(8,532,553)
Balance at December 31, 2015	133,432,271	66,889,412	(14,278,004)	186,043,679
Balance at January 1, 2016	**133,432,271**	**66,889,412**	**(14,278,004)**	**186,043,679**
Total profit for the year	**-**	**-**	**54,375,308**	**54,375,308**
Dividends paid	**-**	**-**	**(2,669,438)**	**(2,669,438)**
Normal course issuer bid repurchases	**(1,518,609)**	**445,862**	**-**	**(1,072,747)**
Balance at December 31, 2016	**131,913,662**	**67,335,274**	**37,427,866**	**236,676,802**

See accompanying notes

Urbana Corporation

Statements of cash flows
for the years ended December 31, 2016 and December 31, 2016
(In Canadian dollars)

	2016	2015
	$	$
Operating activities		
Total profit for the year	**54,375,308**	10,318,568
Items not affecting cash		
Gain on sale and disposal of investments	**(9,900,395)**	(9,650,495)
Net change in unrealized gain on investments	**(55,662,240)**	(3,172,813)
Provision for deferred income taxes	**7,014,000**	450,000
Purchases of investments	**(65,346,846)**	(48,657,991)
Proceeds on sale of investments	**66,571,972**	59,780,209
	(2,948,201)	9,067,478
Net change in non-cash working capital items		
Accounts and other receivables	**(59,243)**	(35,630)
Current income taxes	**87,515**	(87,515)
Accounts payable and accrued liabilities	**403,090**	(58,661)
	431,362	(181,806)
Cash provided by (used in) operating activities	**(2,516,839)**	8,885,672
Financing activities		
Issuance of loan payable	**53,200,000**	46,100,000
Repayment of loan payable	**(46,900,000)**	(44,150,000)
Dividends paid	**(2,669,438)**	(2,877,428)
Normal course issuer bid repurchases	**(1,072,747)**	(8,532,553)
Cash provided by (used in) financing activities	**2,557,815**	(9,459,981)
Net change in cash during the year	**40,976**	(574,309)
Cash, beginning of year	**345,723**	920,032
Cash, end of year	**386,699**	345,723
Supplemental disclosure		
Income taxes paid	**-**	87,515
Interest paid	**359,281**	281,290

See accompanying notes

Urbana Corporation

Schedule of investment portfolio
as at December 31, 2016

(In Canadian dollars)

Number	Description	Cost	Fair value
	Privately owned entities	$	$
2,350,563	Caldwell India Holdings Inc.(i)	25,599,727	17,371,898
791,000	Urbana Mauritius Inc. (ii)	7,312,848	6,025,177
11,684,403	Canadian Securities Exchange (formerly CNSX)	5,829,521	10,515,963
32	Minneapolis Grain Exchange (seats)	7,279,359	7,080,744
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	2,432,000
5,000,040	Radar Capital Fund 1 Limited Partnership (iii) (Note 9)	4,683,729	7,235,338
300,000	Radar Capital Fund II Series F Limited Partnership (Note 9)	3,000,000	3,000,000
6,209,431	Real Matters Inc.	12,179,624	32,599,513
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	3,300,600
406,066	Caldwell Growth Opportunities Trust (iv) (Note 9)	3,400,000	4,374,225
100	Urbana Special Investment Holdings Ltd. (v)	2,894,499	3,352,413
340,884	Highview Financial Holdings Inc.	207,518	194,304
24,683	Bermuda Stock Exchange	533,099	73,816
		80,746,624	100,556,041
	Publicly traded securities		
150,000	CBOE Holdings Inc.	4,959,550	14,863,528
150,000	Intercontinental Exchange Group Inc.	6,230,769	11,349,306
250,000	Citigroup Inc.	11,699,826	19,924,650
975,000	Bank of America Corp.	13,600,935	28,896,275
375,000	Suncor Energy	12,777,151	16,462,500
350,000	Barrick Gold Corp.	6,174,997	7,517,899
330,000	Teck Resources Ltd. Class B	2,355,863	8,867,100
100,000	Canadian Imperial Bank of Commerce	9,032,380	10,956,000
480,000	Morgan Stanley	13,312,369	27,196,494
400,000	Deutsche Bank AG	8,983,403	9,709,202
28,500	Industrial Alliance Insurance and Financial Services	1,586,025	1,521,615
		90,713,268	157,264,569
	Other		
1,500,000	Highview Financial Holdings Inc. (vi)	1,500,000	1,500,000
100,000	Highview Financial Holdings Inc. (vii)	100,000	100,000
1,300,000	Radar Capital Inc. (viii)	1,300,000	191,219
		2,900,000	1,791,219
		174,359,892	259,611,829

(i) Urbana owns 58.54% of the outstanding investor shares of Caldwell India Holdings Inc. ("CIHI"), which holds 2,007,772 equity shares (previously 4,015,544 equity shares prior to a 2:1 consolidation) 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 395,500 equity shares (previously 791,000 equity shares prior to a 2:1 consolidation) of the Bombay Stock Exchange.

(iii) Radar Capital Fund 1 Limited Partnership owns 24% of the debt and equity of Highview Financial Group.

(iv) Caldwell Growth Opportunities Trust owns 24% of the equity shares of CIHI and 8% of the units of Radar Capital Fund 1 Limited Partnership.

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

(vi) Urbana holds an unsecured promissory note repayable on April 22, 2017 with a semi-annual interest payment of 83,853 common shares.

(vii) Urbana holds an unsecured promissory note repayable on April 22, 2017 with a semi-annual interest payment of 12,000 common shares.

(viii) Urbana holds an unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. Mining expenditures of $464,129 (2015 - $180,003) have been recorded as a loss in realized gain on sale and disposal of investments.

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.

1. Summary of significant accounting policies

Basis of presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB") and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*.

Statement of compliance

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 period. Actual results could differ from those estimates. Significant judgments and estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax liability.

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.

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, provided the close price is within the bid-ask spread.

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

1. Summary of significant accounting policies (continued)

Judgments and estimates (continued)

Valuation of investments (continued)

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. During the initial period after an investment has been made, cost translated using the 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.

Mining Claims

In accordance with IFRS 6, *Exploration for and evaluation of mineral resources*, Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources.

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.

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.

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 year. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

1. Summary of significant accounting policies (continued)

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, investments, accounts and other receivables, loan payable, and accounts payable and accrued liabilities. 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 and accrued liabilities 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.

Transaction costs

Transaction costs are expensed as incurred 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.

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.

Earnings per share

Basic earnings per share is computed by dividing the total profit 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.

Interests in Other Entities

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2016 and 2015:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc.	Mauritius	58.84%	100%
Urbana Mauritius Inc.	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd.	Toronto	100%	100%

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 December 31, 2016:

				December 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Publicly traded securities	**157,264,569**	**-**	**-**	**157,264,569**
Privately owned entities	**-**	**7,080,744**	**93,475,297**	**100,556,041**
Other	**-**	**-**	**1,791,219**	**1,791,219**
	157,264,569	**7,080,744**	**95,266,516**	**259,611,829**

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016

Description	Fair value (1)	Primary Valuation technique used	Significant unobservable inputs	Input/Range (2)
Private equity investments				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	**17,371,898**	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats	**6,025,177**	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Bermuda Stock Exchange	**73,816**	Analysis of comparable exchanges	P/E multiple	16.9-30.5
Urbana Special Investment Holdings Ltd.	**3,352,413**	Weighted average of discounted cash flow, and	Discount rate	12.74%
		Average P/E multiple	Average P/E multiple	LTM P/E: 10.1-254.8 (3) NTM P/E: 11.3-44.0 (4)
Caldwell Financial Ltd.	**2,432,000**	Prescribed formula in shareholder's agreement	1 x net fees plus share capital	N/A
CNSX Markets Inc.	**10,515,963**	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	**4,374,225**	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	**194,304**	EV as a % of AUM (5)	EV as a % of AUM	1.0%-4.0%
		EV as a % of AUA (6)	EV as a % of AUA	0.5%
Real Matters Inc.	**32,599,513**	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	**7,235,338**	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	**3,000,000**	Net asset value per unit	Net asset value per unit	N/A
Minneapolis Grain Exchange (seats)	**7,080,744**	Market transaction	Recent transaction price	N/A

(1) *See- Note 1 – Valuation of investments*

(2) *Where it is not applicable, an input or range has not been provided*

(3) Last twelve months P/E: 45.99x

(4) Next twelve months P/E: 14.90x

(5) Enterprise value of assets under management

(6) Enterprise value of assets under administration

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016 (continued)

Description	Fair value (1)	Primary Valuation technique used	Significant unobservable inputs	Input/Range (2)
Private equity investments (continued)				
Highview Investments Limited Partnership	**3,000,000**	Net asset value per unit	Net asset value per unit	N/A
Four Lakes Capital Fund Limited Partnership	**3,300,600**	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	**50**	N/A	N/A	N/A
Private debt investments				
Radar Capital Inc.	**191,219**	Cash value	N/A	N/A
Highview Financial Holdings Inc.	**1,500,000**	Face value	N/A	N/A
Highview Financial Holdings Inc.	**100,000**	Face value	N/A	N/A
Ending balance	**102,347,260**			

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

				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

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2015 (continued)

Description	Fair value (1)	Primary Valuation technique used	Significant unobservable inputs	Input/Range (2)
Private equity investments				
Caldwell India Holdings Inc. – holder of Bombay Stock Exchange seats	**16,071,074**	Analysis of comparable exchanges	P/E multiple	19.6-54.7
Urbana Mauritius Inc. – holder of Bombay Stock Exchange seats	**5,808,847**	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
Minneapolis Grain Exchange (seats)	**6,823,259**	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	**10,515,963**	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	**4,485,771**	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	**116,896**	Cost	N/A	N/A
Real Matters Inc.	**13,200,000**	Market transaction	Recent transaction price	N/A
Budapest Stock Exchange	**2,902,844**	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	**5,550,044**	Net asset value per unit	Net asset value per unit	N/A
Urbana Special Investment Holdings Ltd.	**3,515,805**	Market transaction	Recent transaction price	N/A
Highview Investments Limited Partnership	**3,000,000**	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	**50**	N/A	N/A	N/A
Private debt investments				
Radar Capital Inc.	**135,504**	Face value	N/A	N/A
Highview Financial Holdings Inc.	**1,000,000**	Face value	N/A	N/A
Ending balance	**75,418,237**			

(1) *See- Note 1 – Valuation of investments*

(2) *Where it is not applicable, an input or range has not been provided*

2. Fair value measurement (continued)

Change in valuation methodology

During the year ended December 31, 2016, the Company changed the primary valuation technique for Urbana Special Investment Holdings Ltd. from a methodology based on a recent market transaction to a weighted average of discounted cash flows and average P/E multiples. Management determined that the transaction that was used in the prior year was no longer reflective of fair value due to the passage of time.

During the years ended December 31, 2016 and 2015 the reconciliations of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

			December 31, 2016
	Privately owned entities	**Other**	**Total**
	$	**$**	**$**
Beginning balance	**67,459,474**	**1,135,504**	**68,594,978**
Change in unrealized gain (loss)	**20,469,861**	**(244,285)**	**20,225,576**
Purchases	**10,307,204**	**900,000**	**11,207,204**
Sales	**(4,761,242)**	**-**	**(4,761,242)**
Ending balance	**93,475,297**	**1,791,219**	**95,266,516**

			December 31, 2015
	Privately owned entities	Other	Total
	$	$	$
Beginning balance	47,086,244	2,200,000	49,286,244
Change in unrealized gain (loss)	14,658,661	(364,496)	14,794,165
Purchases	5,995,900	500,000	5,995,900
Sales	(281,331)	(1,200,000)	(1,481,331)
Ending balance	67,459,474	1,135,504	68,594,978

2. Fair value measurement (continued)

Sensitivity analysis to significant changes in unobservable inputs within the Level 2 and 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 2 and 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2016 and 2015 are as shown below:

Level 2 and 3 valuation methods – December 31, 2016

Description	**Input**	**Sensitivity used** (1)	**Effect on fair value ($)**
Private equity investments	P/E multiple	1X	**1,041,748**
	1 x net fees plus share capital	10%	**243,200**
	Average P/E multiple	1X	**10,661**
	Discount rate	1%	**846,889**
	Recent transaction price	10%	**5,019,622**
	Net asset value per unit	10%	**2,091,021**
	EV as a % of assets under management	1%	**143,960**
	EV as a % of assets under administration	1%	**198,581**
Private debt investments	Cash value	10%	**19,122**
	Face value	10%	**160,000**

Level 2 and 3 valuation methods - December 31, 2015

Description	**Input**	**Sensitivity used** (1)	**Effect on fair value ($)**
Private equity investments	P/E multiple	1X	670,546
	1 x net fees plus share capital	10%	229,218
	Recent transaction price	10%	3,695,787
	Net asset value per unit	10%	1,303,587
	Cost	10%	11,690
Private debt investments	Face value	10%	113,540

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

For the years ended December 31, 2016 and 2015, there were no transfers into/out of Level 1, Level 2 or 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 December 31, 2016, the Company holds approximately $1.8 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.

	December 31, 2016 financial liabilities due on demand	**< 3 months**	**Total**
	$	**$**	**$**
Loan payable	**11,800,000**	**-**	**11,800,000**
Accounts payable and accrued liabilities	**-**	**1,330,936**	**1,330,936**
	11,800,000	**1,330,936**	**13,130,936**

	December 31, 2015 financial liabilities due on demand	< 3 months	Total
	$	$	$
Loan payable	5,500,000	-	5,500,000
Accounts payable and accrued liabilities	-	927,846	927,846
	5,500,000	927,846	6,427,846

3. Financial instruments and risk management (continued)

Liquidity risk (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 investments rise. When the value of the Canadian dollar rises, the value of foreign investments fall.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015
Currency	**As % of net assets**	As % of net assets
	%	%
United States Dollar	**52.32**	54.47
Indian Rupee	**9.89**	11.76
Other	**-**	1.56
	62.21	67.79

The Company's net assets would decrease or increase by approximately $7,361,175 (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 promissory notes held. 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 – promissory notes					
December 31, 2016	**1,791,219**	**-**	-	-	**1,791,219**
December 31, 2015	1,135,504	-	-	-	1,135,504
Loan payable					
December 31, 2016	**11,800,000**	-	-	-	**11,800,000**
December 31, 2015	5,500,000	-	-	-	5,500,000

As at December 31, 2016, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the net assets would have decreased or increased by approximately $90,443 (2015 - $56,492). 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 is susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly and privately traded securities. As at December 31, 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 $15,726,457 (2015 - $ 11,985,608) (approximately 6.64% (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:

	December 31, 2016	December 31, 2015
	$	$
Dividends	**125,610**	70,500
Interest	**17,600**	13,467
	143,210	83,967

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2016	December 31, 2015
	$	$
Investment management fees (Note 9)	**1,012,695**	836,079
Professional fees	**279,809**	79,991
Loan interest	**38,432**	11,296
Other	**-**	480
	1,330,936	927,846

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 the 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 December 31, 2016, the outstanding balance of the loan was $11,800,000 (2015 - $5,500,000) which is the fair value of the loan. During the year ended December 31, 2016 the minimum amount borrowed was $Nil (2015 - $Nil) and the maximum amount borrowed was $16,000,000 (2015 - $16,050,000). As at December 31, 2016 and 2015, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

7. Mining Claims

Urbana has owned mineral claims 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 mineral claims if and when it is deemed suitable. In November 2014, Urbana entered into an exploration agreement with Beaufield Resources Inc. ("Beaufield"), a company that owns neighbouring properties, to explore the Urban 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. Geophysical work has been completed on previously unexplored portions of our claim group. Urbana is in the process of developing an exploration program, which will include drilling, for the coming 2017 winter season. This year's winter program will entail diamond drilling and is expected to cost between $300,000 and $600,000 depending upon results. In accordance with IFRS 6, *Exploration for and evaluation of mineral resources,* Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources. Urbana has incurred costs totaling $655,350 of which $464,129 relates to 2016 (2015 - $180,003). These costs have been expensed as incurred and are recorded as a loss in realized gain on sale and disposal of investments.

8. Share capital

At December 31, 2016 and 2015 share capital consists of the following:

		Year ended December 31, 2016		Year ended December 31, 2015
	Number	**Amount**	Number	Amount
		$		$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, beginning of year	**10,000,000**	**7,998,893**	10,000,000	7,998,893
Issued during the year	**-**	**-**	-	-
Balance, end of year	**10,000,000**	**7,998,893**	10,000,000	7,998,893
Issued - non-voting Class A shares				
Balance, beginning of year	**43,388,500**	**125,433,378**	47,548,300	137,459,094
Normal Course Issuer Bid Repurchases	**(525,300)**	**(1,518,609)**	(4,159,800)	(12,025,716)
Balance, end of year	**42,863,200**	**123,914,769**	43,388,500	125,433,378
Total	**52,863,200**	**131,913,662**	53,388,500	133,432,271

8. Share capital (continued)

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 29, 2016, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 4,244,598 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, 2016, and will terminate on the earlier of August 30, 2017, the date Urbana completes its purchases pursuant to the notice of intention to conduct 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 Class A shares purchased under the NCIB are to be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 6,523 Class A Shares, being 25% of the average daily volume for the most recently completed six months, which is 26,092 Class A shares calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 6,523 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2016, Urbana has purchased 104,400 Class A Shares pursuant to the NCIB. 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
August 31, 2015 - August 30, 2016	1,332,400	1.98
August 31, 2016 - August 30, 2017	104,400	2.35

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 a 100% ownership interest in 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 December 31, 2016, Urbana owned 5,000,040 units of Radar Capital Fund 1 Limited Partnership (2015 – 5,000,040) and 300,000 units of Radar Capital Fund II Series F Limited Partnership (2015 - Nil) which are both managed by RCI. As at December 31, 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust (2015 – 406,066), which is a private equity pool managed by CIM.

9. Related party transactions (continued)

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 this 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 $3,513,461 of investment management fees from Urbana, as compared to $3,338,609 in 2015. The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2016 there was an investment management fee payable included in accounts payable and accrued liabilities of $1,012,695 to CIM (2015 – $836,079).

Caldwell Securities Ltd. ("CSL"), a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. During the year ended December 31, 2016, the total commission fees paid to CSL by Urbana amounted to $531,425 (2015 - $505,584) which was included in transaction costs.

In the year ended December 31, 2016, Urbana paid CSL $406,800 (2015 - $Nil) for investor relations, administrative services, office rental and storage which were all included in administrative expenses.

All related party transactions are recorded at their exchange amounts.

10. Income taxes

The Company's provision for income taxes for the years ended December 31, 2016 and 2015 is summarized as follows:

	2016	2015
	$	$
Net income before income taxes	**60,995,780**	10,845,213
Expected income taxes payable at future rates - 26.5% (2015 - 26.5%)	**16,163,882**	2,873,982
Income tax effect of the following:		
Non-taxable portion of realized capital gains	**(1,215,694)**	(1,383,200)
Non-taxable portion of unrealized capital gains	**(7,375,247)**	(339,739)
Non-taxable dividends	**(316,285)**	(323,408)
Foreign withholding tax expense (recovery), net of Canadian tax	**(289,243)**	120,655
Other	**(346,941)**	(421,645)
Income tax expense	**6,620,472**	526,645
represented by		
Provision for deferred income taxes	**7,014,000**	450,000
(Recovery of) current income taxes	**-**	(87,515)
Foreign withholding tax (recovery) expense	**(393,528)**	164,160
Income tax expense	**6,620,472**	526,645

10. Income taxes (continued)

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

	December 31, 2016	December 31, 2015
	$	$
Resource deductions available in perpetuity	**(10,960)**	(14,525)
Unrealized capital gains on investments	**11,252,015**	3,983,193
Non-capital loss carryforwards	**(708,975)**	(328,548)
Other	**(198,080)**	(320,120)
Total deferred income tax liability	**10,334,000**	3,320,000

At December 31, 2016, the Company had non-capital losses of $2,675,378 (2015 - $3,176,984) available for carryforward for tax purposes. The expiry dates of these losses are as follows:

Expiry Date	Amount
	$
December 31, 2029	94,568
December 31, 2031	2,450,121
December 31, 2032	130,689
	2,675,378

11. Dividends

On February 12, 2016 the Company paid a cash dividend of $0.05 per share on the issued and outstanding common and Class A shares as at January 28, 2016 amounting to $2,669,438. Subsequent to year end on January 31, 2017 the Company paid a regular cash dividend of $0.05 per share, plus a special cash dividend of $0.05 per share, for a total of $0.10 per share on the issued and outstanding common and Class A shares as at January 17, 2017 amounting to $5,187,787.

12. Current and future accounting developments

Current accounting developments

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* have been applied by the Company for the first time in the current year. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The application of these amendments has no impact on the Company's financial statements.

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

12. Current and future accounting developments (continued)

Future accounting developments (continued)

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.

13. Subsequent Event

On February 3, 2017, The Bombay Stock Exchange (“BSE”), a position the Company owns through Caldwell India Holdings Inc. and Urbana Mauritius Inc., completed an initial public offering of BSE shares (an “IPO”). BSE shares were listed on the National Stock Exchange in India. Urbana sold approximately 26.6% of its BSE shares into the IPO. Urbana’s remaining BSE shares are restricted from trading until the lock up period expires on February 1, 2018.

14. Approval of financial statements

The Financial Statements were approved by the Board of Directors and authorized for issue on March 15, 2017.

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