

URBANA CORPORATION

2022

2022 ANNUAL REPORT

Corporate Information

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DIRECTORS AND OFFICERS OF THE COMPANY:

Thomas S. Caldwell, C.M.
Director, President and CEO
Toronto, Ontario

Beth Colle
Director
Toronto, Ontario

George D. Elliott
Director
Toronto, Ontario

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

2022 presented numerous economic challenges. Inflation, increasing interest rates and concerns about an economic recession all took their toll.

Over and above those concerns was the war in Ukraine with its potential collateral disruptions to European energy supplies and world peace.

The market component suffering the most damage was the high tech sector, with their stratospheric share valuations. Like most wildly popular industries or companies, their share prices usually fall back to earth. "Growth" companies eventually become "value" companies as their size typically condemns them to more conservative growth projections.

On balance, equity markets showed remarkable resilience to the shocks and concerns of 2022. In part, this reflected the massive amounts of cash looking for a profitable home.

Urbana's net assets per share grew at 8.4% for the year, eclipsing the Dow Jones Industrial Average Total Return Index (in Canadian Dollars) ("DJIA Index") of -0.10% for the year and the S&P/TSX Composite Total Return Index ("S&P/TSX Index") of -5.8%. Urbana's after tax performance, since inception in October 2002, is 14.6%, annually compounded. Our public investment portfolio focused on U.S. financial and Canadian energy companies. The former performed poorly, but the latter gave us excellent performance and moved our overall results into positive territory.

Our share prices also fared well with our common shares up 13.7% and our "A" shares up 12.1% for the year, including dividends.

Looking into 2023, we anticipate a slowing of inflation, a "topping out" of interest rate increases and a moderately slowing economy versus a full blown recession. It is possible the first quarter could present some challenges, which could add to market volatility, but we look forward to a positive 2023 for share prices.

We expect the same financial services/energy structuring of our public portfolio will serve us well in 2023. America will be spending significant funds on shortening supply lines, building infrastructure and microchip capacity, along with expanded electrification. Clearly, defence items will also add to spending.

Canada with its confused leadership and lack of economic growth policies will continue to fall back on its traditional stalwarts: banking and resources.

Within our private equity sector, several of our companies are experiencing growth and proceeding to maturation.

For valuable in depth information, I would recommend our shareholders look at our “Private Equity Investor Day – October 22, 2022” on our website <https://www.urbanacorp.com/speaker-videos/>, where the CEO’s of our private holdings discuss their business and plans.

After the year-end, we declared a dividend of \$0.11 per share, an increase of 10% over the previous year. This is the fourth consecutive year we have increased our dividend. Urbana also purchased and cancelled 1,604,900 Class “A” shares under the Normal Course Issuer Bid (“NCIB”) during 2022. Since May 2010, Urbana has repurchased and cancelled 46,131,220 Class “A” shares and has returned \$122.1M to shareholders in the form of NCIB purchases and dividends.

We would like to thank all the team at Caldwell Investment Management Ltd. for successfully guiding Urbana through a challenging year.

On behalf of the Board of Directors,

A handwritten signature in black ink that reads "Thomas S. Caldwell". The signature is written in a cursive, flowing style.

Thomas S. Caldwell, C.M.
Chairman, Chief Executive Officer and President

March 22, 2023

Forward-Looking Statements

Certain information contained in this Report constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of Urbana, 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. For important information regarding forward-looking statements, please refer to Urbana’s most recently filed MD&A under the heading “Forward-Looking Statements”.

URBANA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2022

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, 2022 (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. Unless specifically referred to a particular class of shares, all references to "Shares" or "per Share" refer collectively to the Corporation's common shares (the "Common Shares") and the Corporation's non-voting Class A shares (the "Class A Shares"). This MD&A is current as of March 22, 2023. The Corporation's Audit Committee reviewed this document, and prior to its release, the Corporation's Board of Directors approved it, based on the Audit Committee's recommendation.

You can obtain information relating to the Corporation, including the Corporation's most recent 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.

REPORTING REGIME

Urbana is subject to National Instrument 51-102 ("NI 51-102") *Continuous Disclosure Obligations*. For accounting purposes, Urbana is treated as an investment entity under IFRS.

NON-IFRS MEASURES

The Corporation prepares audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS. This MD&A complements the Corporation's IFRS results with the following financial measures which are not recognized under IFRS and which do not have a standard meaning prescribed by IFRS: "net assets per Share", "total return of net assets per Share" and "compound annual growth rate of net assets per Share since inception".

Net assets per Share

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, 2022 and 2021 is presented in the following table:

	December 31, 2022	December 31, 2021
Assets (\$)	367,126,050	348,099,367
LESS Liabilities (\$)	57,523,862	46,959,689
EQUALS Net Assets (\$)	309,602,188	301,139,678
DIVIDED BY Number of Shares Outstanding	41,395,100	43,000,000
EQUALS Net assets per Share (\$)	7.48	7.00

Total return of net assets per Share

The total return of net assets per Share over a given period refers to the increase or decrease of Urbana’s net assets per Share (determined as described above) over a specified time period, expressed as a percentage of Urbana’s net assets per Share at the beginning of the time period, assuming that each dividend paid by the Corporation during the period was reinvested at a price equal to the net assets per Share at the relevant time.

The Common Shares and the Class A Shares participate equally in dividends and upon liquidation, dissolution or winding-up of Urbana. Therefore, they are treated the same for purposes of the net assets per Share calculation.

Compound annual growth rate of net assets per Share since inception

Compound annual growth rate (“CAGR”) of net assets per Share since inception is the compound annual growth rate of Urbana’s net assets per Share from October 1, 2002, when Caldwell Investment Management Ltd. (“CIM” or the “Manager”), the investment manager of Urbana, started managing Urbana’s investment portfolio, to the end of the period in question.

We calculate CAGR of net assets per Share since inception by dividing Urbana’s net assets per share at the end of the period in question by its net assets per Share at inception (i.e. October 1, 2002), raising the result to the power of the quotient obtained by dividing one by the number of years representing the period length, and then subtracting one.

The Corporation provides the non-IFRS measures described above because it believes each 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, except as set forth in the above table, 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. CAGR of net assets per Share since inception describes the historical rate at which Urbana’s net assets per Share would have increased at a steady rate. This single historical rate is only an illustration and does not represent the actual annual growth rate of Urbana’s net assets per Share in any given year. The growth rate of Urbana’s net assets per Share in any given year since 2002 may have been higher or lower than the CAGR of net assets per Share since inception due to market volatility and other factors.

STRATEGY AND RISK FACTORS

Urbana's strategy is to seek out, and invest in, private investment opportunities for capital appreciation and invest in publicly traded securities to provide growth, income and liquidity. Urbana has the scope to invest in any sector in any geographic region. There were no material changes to Urbana's investment style in 2022 that affected the overall level of risk associated with an 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 at www.urbanacorp.com and under the Corporation's profile on the SEDAR website at www.sedar.com. Risks and uncertainties that may materially affect Urbana's future performance include private entity investing risk, market fluctuations, currency risk and macroeconomic risk.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

All references to "millions" within this MD&A will be described as "M" hereafter.

On balance, the first quarter of 2022 ("Q1") was a positive one for Urbana as gains in our energy-related holdings more than offset declines in our U.S. financial holdings. Urbana's net assets per Share increased from \$7.00 to \$7.68 in Q1, after the payment of a dividend of ten cents (\$0.10) per Share¹ in January 2022, resulting in an 11.3% total return of net assets per Share.

In the second quarter of 2022 ("Q2") Urbana's total return of net assets per Share declined by 8.6% as its net assets per Share decreased from \$7.68 to \$7.02. "Ugly" was the word often used to describe stock market performance in Q2. Stock market conditions in Q2 were very challenging and overall stock market performance in Q2 was significantly down from Q1.

The third quarter of 2022 ("Q3") was slightly positive for Urbana despite the continued downward trend of public equity markets and significant trading volatility. During this quarter, Urbana's net assets per Share increased from \$7.02 to \$7.07, resulting in a 0.7% total return of net assets per Share.

The final quarter of 2022 ("Q4") witnessed an improvement in equity markets as high tech companies rebounded off their lows. That group, with generally high valuations, had reached a point of vulnerability and skewed some of the downward numbers in stock indices during the year.

On balance, equity markets were quite resilient to inflation numbers, central bank interest rate threats and media's stressing a potential recession.

It appeared equity markets illustrated how much money there was in the system looking for a productive or even slightly promising tone.

In Q4, Urbana's after-tax net assets per Share increased from \$7.07 to \$7.48 or 5.8%, which is less than the Dow Jones Industrial Average Total Return Index (in Canadian Dollars) ("DJIA Index") and the S&P/TSX Composite Total Return Index ("S&P/TSX Index"). By comparison, for the year ended December 31, 2022, Urbana's after-tax total return of net assets per Share of 8.4%,

¹ The Common Shares and the Class A Shares participate equally in dividends.

after the payment a dividend of ten cents (\$0.10) per Share¹ in January 2022, was significantly greater than the DJIA Index of -0.1% and the S&P/TSX Index of -5.8%.

Urbana's 2022 public equity focus was on U.S. financials and Canadian energy sectors. The former was weak, but the latter quite strong, with the combination giving Urbana a good net return overall.

The Corporation has also seen decent improvements in its private equity holdings over the quarter and the year.

IGPC Ethanol Inc. (a division of Integrated Grain Processors Co-operative Inc.) was the quarter's outperformer with a \$2.8M valuation improvement.

Looking into 2023, the Corporation plans to continue to follow its current financial services/energy focus in Urbana's public holdings. In the private sector holdings, the Corporation contemplates a year where some valuation improvements are possible. The Corporation also envisions sorting out some of its less promising positions.

Further, Urbana anticipates firmer equity markets with moderating inflation, stabilizing of interest rates and the economy experiencing more of a slowdown rather than a recession.

In either case, the Corporation has available a significant amount of cash looking for bargains in any decline.

Urbana's long-term performance, represented by its CAGR of net assets per Share since inception to December 31, 2022, was 14.6%. This compares favorably with the CAGR of the S&P/TSX Index of 8.8% and the CAGR of the DJIA Index of 9.4%, for the same period.² The Corporation's long-term goal is to strive for and maintain long-term performance that exceeds the returns of the S&P/TSX Index and the DJIA Index.

In 2022, dividend income amounted to \$4.1M, down \$1.1M from \$5.2M in 2021. The decrease in 2022 primarily relates to a \$2.3M dividend from Caldwell Canadian Value Momentum Fund in 2021 that was re-invested in additional units of the fund. There was no such dividend in 2022. In 2022, interest income amounted to \$503,526, an increase of \$141,499 over \$362,027 in 2021. The increase in 2022 is primarily related to the Kognitiv Corporation convertible note, on which interest commenced on January 31, 2022.

Urbana realized a net gain of \$8.7M from the sale of investments in 2022 (2021 - \$10.0M). The 2022 gain stemmed primarily from the disposition of Whitecap Resources Inc. (\$3.9M), Tamarack Valley Energy Ltd. (\$3.0M), Citigroup Inc. (\$0.7M), Caldwell Canadian Value Momentum Fund (\$0.7M) and others. The 2021 gain resulted primarily from the disposition of Metamaterial, offset by losses from the wind-up of Urbana's Mauritius-based companies and Urbana Special Investment Holdings Ltd.

² The CAGR of the indexes is calculated in the same way as the CAGR of net assets per Share since inception.

Urbana recorded \$19.2M in unrealized gains in 2022 (2021 - \$61.8M), with \$38.6M of gains related to private equity investments and \$19.4M of losses stemming from our public holdings. The best performers during 2022 were CNSX Markets Inc., the operator of the Canadian Securities Exchange (\$25.6M), Whitecap Resources Inc. (\$6.1M), Integrated Grain Processors Co-operative Inc. (\$5.8M) and Evolve Funds Group Inc. (\$4.0M). Offsetting these unrealized gains were Urbana’s holdings in the financial services industry, with notable underperformers being Real Matters Inc. (\$6.3M), KKR & Co. (\$6.2M), Bank of America Corp. (\$4.0M), Citigroup Inc. (\$3.5M) and Intercontinental Exchange Group Inc. (\$3.4M). The 2021 unrealized gain related to the vast majority of Urbana’s investments, with CNSX Markets experiencing the largest increase.

During 2022, Urbana recorded net income before income taxes of \$21.5M (2021 - \$68.0M) primarily due to \$19.2M in unrealized gains on investments. Investment management fees in 2022 were \$7.8M, an \$800,000 increase over \$7.0M in 2021, due to increased average assets under management. Interest expense in 2022 amounted to \$1.3M, up from \$718,899 in 2021 due to higher average borrowings and borrowing rates in 2022. In 2022, transaction costs, which relate entirely to normal course issuer bid (“NCIB”) trades, were \$54,116, up from \$37,249 in 2021, due to an increase in the number of shares purchased under the NCIB in 2022. Transaction costs in respect of all non-NCIB trades are absorbed by CIM. Professional fees, comprised of audit fees and legal costs, were \$290,365 in 2022, down slightly from \$296,876 in 2021, primarily due to reduced legal fees in 2022. Administrative expenses in 2022 were \$1.6M, up from \$1.4M in 2021 due primarily to increased marketing costs and costs incurred in respect of a special project in 2022. Foreign withholding tax expense in 2022 was \$362,947, up from \$308,633 in 2021, due to an increase in foreign dividend income in 2022. Current income tax expense in 2022 of \$156,370 relates to 2021 due to an adjustment made to taxable income. A deferred income tax expense of \$2.0M has been recorded in 2022, down from \$7.7M in 2021, primarily due to reduced unrealized losses during 2022.

During 2022, Urbana purchased and cancelled 1,604,900 Class A shares under the NCIB at an average price of \$3.83 per Class A Share. Subsequent to December 31, 2022, Urbana did not purchase any additional Class A Shares. Since May 2010, Urbana has purchased and cancelled a total of 46,131,220 Class A Shares under its normal course issuer bid programs and has returned \$122.1M to shareholders in the form of NCIB purchases and dividends. The number of Class A Shares now outstanding is 31,395,100.

Selected Annual Information

The following table shows selected annual information about Urbana for the three most recently completed fiscal years of the Corporation:

	2022 (\$)	2021 (\$)	2020 (\$)
Total revenue	32,520,838	77,378,109	22,239,587
Profit from continuing operations attributable to owners of the parent:			
Total	18,917,077	59,994,254	13,083,682
Per Share	0.45	1.37	0.27
Diluted per Share	0.45	1.37	0.27

Profit attributable to owners of the parent:				
	Total	18,917,077	59,994,254	13,083,682
	Per Share	0.45	1.37	0.27
	Diluted per Share	0.45	1.37	0.27
Total assets		367,126,050	348,099,367	288,334,640
Total non-current financial liabilities		24,374,000	22,331,000	14,641,000
Cash dividends declared per Share:				
	Common Shares	0.10	0.09	0.08
	Class A Shares	0.10	0.09	0.08

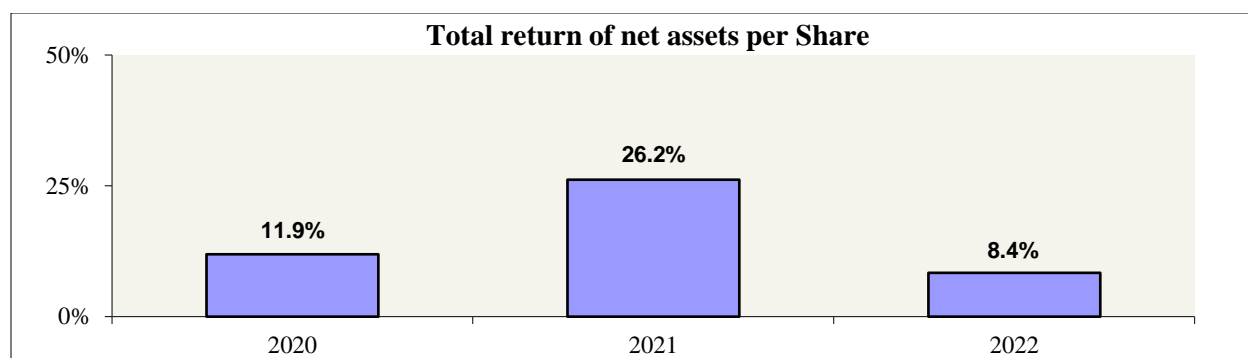
Revenue and profit levels in 2022, 2021 and 2020 were determined primarily by the unrealized and realized gains on the Corporation's investment portfolio. Variations among the years relate to the investment decisions made, market price fluctuations of securities held in Urbana's investment portfolio and changes in foreign exchange rates. There have been no changes in accounting policies during the years 2020 to 2022 that had any impact on the financial performance of the Corporation during these years (see also below under the heading "*Changes in Accounting Policies*"). There have been no discontinued operations during the years 2020 to 2022. Total assets increased during 2021 and 2022 due to increased market values of the investment portfolio. Non-current financial liabilities, namely deferred income tax liability, increased during 2021 and 2022 as a result of unrealized gains recorded in those years. Dividends amounted to \$0.08 per Share in January 2020 and increased to \$0.09 per Share in January 2021 due to improved results in 2020. A dividend of \$0.10 per Share was paid in January 2022, an increase of 11.1% over 2021, also due to improved results in 2021. In all instances, Common Shares and the Class A Shares participated equally in dividends. For each of the years 2020 to 2021, the financial data has been prepared in accordance with IFRS and the Canadian Dollar has been the presentation currency.

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 assets per Share performance of Urbana's 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, assuming that each dividend paid during the period was reinvested.



Summary of Investment Portfolio as at December 31, 2022

The following data is extracted from Urbana's Financial Statements:

Number of securities	Description	Cost (\$)	Fair value (\$)	% of Portfolio Fair Value
Private equity investments				
13,480,878	CNSX Markets Inc.	8,168,349	80,885,268	22.2%
1,327,620	Miami International Holdings Inc.	12,257,268	14,318,916	3.9%
800,000	Caldwell Financial Ltd.	1,826,650	3,168,000	0.9%
2,350,000	Radar Capital Inc. Class A Common	50	-	-%
16,755,081	Radar Capital Inc. Class B Common	11,561,006	4,681,370	1.3%
1,544,236	Evolve Funds Group Inc. ("Evolve) Class B Preferred	1,772,788	4,648,150	1.3%
3,000,000	Evolve Funds Group Inc. Class C Preferred	2,130,658	9,030,000	2.5%
771,638	Evolve Funds Group Inc. Class D Preferred	771,638	771,638	0.2%
1,195,246	EFG Management Holdings Inc. ("EFG") Class A Common (i)	3,597,690	3,597,690	1.0%
498,041	EFG Management Holdings Inc. Class E Common (i)	1,499,103	1,499,103	0.4%
15,259,886	Highview Financial Holdings Inc.	11,546,243	19,837,852	5.4%
5	Integrated Grain Processors Co-operative Inc. Membership Shares	500	500	-%
1,936,097	Integrated Grain Processors Co-operative Inc. Class E Preferred	3,153,691	8,906,046	2.4%
4,538,460	Four Lakes Capital Fund Limited Partnership	4,999,998	8,142,469	2.2%
84,012	Caldwell Growth Opportunities Fund (CGOF) (ii)	703,437	627,958	0.2%
465,381	Vive Crop Protection Inc. Class A2 Preferred	314,132	314,132	0.1%
455,671	Vive Crop Protection Inc. Class B1 Preferred	45,567	209,609	0.1%
6,500,000	Vive Crop Protection Inc. Class B3 Preferred	3,250,000	3,250,000	0.9%
2,492,279	Vive Crop Protection Inc. Class C1 Preferred	1,629,452	1,629,452	0.4%
27,428	Kognitiv Corporation Class A-2 Preferred	353,000	253,827	0.1%
122,222	Kognitiv Corporation	2,404,596	145,732	-%
380,000	Lyceum CME Inc. Class B Preferred	1,900,000	1,900,000	0.5%
6,047,895	FundThrough Inc. Class A Preferred	6,250,000	9,132,322	2.5%
208,290	Varo Money, Inc.	2,565,000	2,615,046	0.7%
1,750,000	Tetra Trust Company Class A Common	1,750,000	1,995,000	0.6%
5,622	Urbana International Inc. (UII) (iii)	10,479,725	11,403,950	3.1%
Public equity investments				
715,599	Caldwell Canadian Value Momentum Fund	13,703,577	14,839,811	4.1%
110,000	Cboe Global Markets, Inc.	3,637,004	18,700,614	5.1%
100,000	Intercontinental Exchange Group Inc.	4,153,846	13,900,432	3.8%
150,000	Citigroup Inc.	7,632,146	9,192,658	2.5%
350,000	Bank of America Corp.	4,882,387	15,706,580	4.3%
250,000	Morgan Stanley	6,933,526	28,799,462	7.9%
1,600,000	Real Matters Inc.	6,352,346	6,688,000	1.8%

4,000,000	Tamarack Valley Energy Ltd.	10,719,252	17,840,000	4.9%
200,000	KKR & Co. Inc. Class A	7,516,623	12,579,356	3.5%
20,000	Canadian Imperial Bank of Commerce	1,103,234	1,095,400	0.3%
2,500,000	Whitecap Resources Inc.	8,776,111	26,850,000	7.4%
Private debt investments				
3,000,000	Highview Financial Holdings Inc. (iv)	3,000,000	3,000,000	0.8%
1,000	Integrated Grain Processors Co-operative Inc. (v)	1,000,000	1,000,000	0.3%
1,000,000	Kognitiv Corporation (vi)	1,000,000	1,000,000	0.3%
Cash		268,765	268,579	0.1%
		175,609,358	364,424,922	100.0%

(i) EFG is a holding company formed for the sole purpose of holding shares of Evolve. EFG owns a controlling interest in Evolve and is controlled by the management of Evolve.

(ii) Urbana owns 11.47% of CGOF, which owns 5.50% of the Class B common shares of Radar Capital Inc.

(iii) UII, a wholly-owned subsidiary of Urbana, formed for the sole purpose of investing in Blue Ocean Technologies, LLC (“Blue Ocean”), holds 5,621.5 units of Blue Ocean.

(iv) Unsecured convertible promissory note maturing on June 30, 2023 with interest at 8% per annum payable quarterly. This promissory note was issued in connection with a \$3 million revolving line of credit and is convertible (in whole or in part) into common shares on the maturity date at \$1.07 per common share.

(v) Debenture maturing on July 31, 2023 with interest at 7% per annum payable quarterly.

(vi) Secured subordinated convertible note maturing on July 31, 2023 with interest at 12% per annum payable monthly. In lieu of a monthly cash interest payment, Kognitiv makes a payment-in-kind by capitalizing the interest payable on each monthly interest payment date.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. No mining expenditures were incurred in 2022 or 2021. See below under the heading “*Mining Claims*” for more information.

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

Pursuant to a loan facility agreement between Urbana and a major Canadian chartered bank (the “Bank”) dated February 15, 2008, as amended on March 2, 2015, the Bank provided a demand loan facility to Urbana, which allowed Urbana to borrow up to \$25M. On July 2, 2021, the loan facility agreement was amended and restated to allow Urbana to borrow up to \$50M. Effective as of the date of the amended and restated loan facility agreement, interest is charged on the outstanding balance of the loan facility at the Bank’s prime rate plus 0.25%, calculated on a daily basis and paid monthly. Prior to the date of the amended and restated loan facility, interest on the outstanding balance of the loan facility was charged at the Bank’s prime rate plus 1.25%. The loan facility is secured by a general charge on Urbana’s assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at December 31, 2022, the outstanding balance of the loan was \$32.0M. The minimum and maximum amounts borrowed during 2022 were \$19.4M and \$35.0M respectively. As at the date of this MD&A, the Corporation has complied with all covenants, conditions and other requirements of the loan facility.

Normal Course Issuer Bid

On August 27, 2021, the Toronto Stock Exchange (the “TSX”) accepted a notice of intention to conduct a normal course issuer bid from Urbana to purchase up to 3,373,358 of its own Class A Shares (the “2021 NCIB”), representing 10% of the public float, pursuant to TSX rules. Purchases under the 2021 NCIB were permitted starting on September 7, 2021 and terminated on September

6, 2022. Urbana purchased and cancelled 2,414,900 Class A Shares pursuant to the 2021 NCIB at an average purchase price of \$3.60 per Class A Share.

On August 31, 2022, the TSX accepted a notice of intention to conduct a normal course issuer bid (the “Notice”) from Urbana to purchase up to 3,139,548 of its own Class A Shares (the “2022 NCIB”), representing 10% of the public float, pursuant to TSX rules. Purchases under the 2022 NCIB were permitted starting on September 7, 2022, and will terminate on the earlier of September 6, 2023, 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 2022 NCIB. The Class A Shares purchased under the 2022 NCIB must be cancelled. As at December 31, 2022, Urbana had purchased and cancelled 290,000 Class A Shares pursuant to the 2022 NCIB at an average purchase price of \$3.95 per Class A Share. Shareholders may obtain a copy of the Notice, free of charge, by contacting Urbana.

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. Urbana has received several enquiries from companies operating in the area but has not yet decided on a partner for further development. Urbana holds 44 claims in the area totaling 1,154.4 hectares (2,852.7 acres). A report, which summarizes both the exploration work and results to date has been completed and will assist in determining next steps.

Urbana has incurred mining expenditures totaling \$1.1M, all of which relate to periods prior to 2019. These expenditures were recorded in the financial statements of the Corporation as a loss in computing “net realized gain on sale and disposal of investments”, in accordance with IFRS 6 “*Exploration for and Evaluation of Mineral Resources*”. Management has elected to expense exploration and evaluation costs related to the mineral claims, as the property holds no known mineral reserves or mineral resources. Although the property has several interesting gold occurrences, there has been no ore body tonnage proven up at this time. 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 exploration expenditures 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 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 certain 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 31, 2022, the Corporation paid a cash dividend of \$0.10 per Share on the aggregate issued and outstanding Common Shares and Class A Shares as at January 17, 2022. Pursuant to subsection 89(14) of the *Income Tax Act* (Canada) (the “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 22, 2023, the Corporation has 10,000,000 Common Shares and 31,395,100 Class A Shares outstanding.

RELATED PARTY DISCLOSURES

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of CIM, which is the investment manager of Urbana, and of Caldwell Securities Ltd. (“CSL”). Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana (see below under the heading “*Management Fees*”). As at December 31, 2022 Urbana had a 20% ownership interest in CFL.

CSL, an affiliate of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions. The total amount of commission fees paid to CSL by Urbana during the years ended December 31, 2022 and 2021 were \$54,116 and \$37,249 respectively. Commissions paid relate solely to NCIB trades. All securities transactions conducted through CSL are reviewed by Urbana’s independent directors on a quarterly basis.

Pursuant to an administrative services agreement between Urbana and CSL dated and effective March 1, 2019 and as amended on April 1, 2021, Urbana pays CSL a monthly fee of \$30,962 (HST inclusive) for administrative services, including investor relations services, information technology services, professional corporate office services, and office and conference room access for Urbana’s staff, directors and officers. In addition, in 2022 Urbana paid CSL an aggregate of \$45,200 in respect of two special projects that were undertaken by CSL on behalf and at the request of Urbana. Effective January 1, 2023, the administrative services agreement was amended to increase the monthly fee by \$6,441 (HST inclusive) due to the increased costs of all services performed by CSL on behalf of Urbana. These fee increases and the fees for the special projects were approved by the independent directors.

In 2022 Urbana paid total fees of \$3,308 to CSL for their services in respect of arranging for the transfer of private equity securities to Urbana by way of a “share transfer platform” that CSL manages on behalf of Integrated Grain Processors Co-operative Inc.

As at December 31, 2022 Urbana owned 50% of the voting class A common shares and 68.49% of the voting class B common shares of Radar Capital Inc. (“RCI”), a private capital company. As a result, Urbana owns a total of 65.51% of the voting common shares of RCI with each class A and class B common share entitled to one vote.

As at December 31, 2022 Urbana had an 11.47% ownership interest in Caldwell Growth Opportunities Fund, which is a private equity pool managed by CIM. Urbana does not pay a management fee as described below, on this investment (see below under the heading “*Management Fees*”).

In February 2022, Urbana redeemed 189,837 units of Caldwell Canadian Value Momentum Fund (“CCVMF”) for \$4.3M. As at December 31, 2022 Urbana had a 7.40% ownership interest in CCVMF, which is a mutual fund managed by CIM. Urbana pays a 0.50% per annum management fee on this investment pursuant to an agreement dated July 30, 2020 between Urbana and CIM, instead of the 2.00% per annum management fee paid to CIM (see below under the heading “*Management Fees*”).

In December 2022, Urbana purchased an additional 20,000 common shares of CNSX Markets Inc. (“CNSX”), the operator of the Canadian Securities Exchange, for \$120,000. As a result, as at December 31, 2022 Urbana owned 49.99% of the common shares of CNSX.

As at December 31, 2022, Urbana had a 73.42% ownership interest in Highview Financial Holdings Inc. (“HFHI”) and held a \$3M convertible promissory note from HFHI. Pursuant to the HFHI amended and restated shareholders’ agreement effective as of December 30, 2020, Urbana is not entitled to elect a majority of the board of directors of HFHI and therefore it is not considered a subsidiary of Urbana.

Urbana holds an investment in Blue Ocean Technologies, LLC (“Blue Ocean”) through Urbana International Inc. (“UII”), its wholly-owned subsidiary. UII was formed for the sole purpose of investing in Blue Ocean. As at December 31, 2022 Urbana had a receivable of \$104,075 from UII in respect of operating expenses incurred by UII.

As at December 31, 2022, there were no fees payable to related parties, other than a management fee of \$672,495 payable to CIM.

During 2022, Urbana, as lender, increased its loan to one director of the Corporation, Michael B. C. Gundy. Prior to 2022, Urbana issued loans to three directors of the Corporation, Charles A. V. Pennock, George D. Elliott and Michael B. C. Gundy and to one officer of the Corporation, Sylvia V. Stinson. Each of these loans provides for a revolving credit facility of up to \$100,000 for the borrower, which he/she may use for the sole purpose of purchasing Shares, in the discretion of the borrower. Interest is charged at the interest rate used by the Canada Revenue Agency to calculate taxable benefits for employees and shareholders from interest-free and low-interest loans. The securities of Urbana purchased by each director or officer with funds advanced under each revolving credit facility are held in a broker’s account as security for the loan. As at December 31, 2022, the total outstanding principal amount of such loans is \$280,973, being \$50,090, \$97,321, \$72,452 and \$61,110 in respect of Messrs. Elliott, Gundy and Pennock and Ms. Stinson, respectively. As at December 31, 2022, Messrs. Elliott, Gundy and Pennock, and Ms. Stinson have purchased, respectively, 19,000 Common Shares, 29,900 Common Shares, 6,000 Common Shares and 20,000 Class A Shares, and 3,000 Common Shares and 15,000 Class A Shares of the Corporation with funds borrowed under each respective credit facility.

MANAGEMENT FEES

Pursuant to an investment management and advisory agreement dated December 6, 2019 and as amended on April 1, 2021, CIM is entitled to an investment management fee equal to 2.0% per annum of the market value of Urbana’s investment portfolio, and, with the exception of NCIB purchases, CIM pays a fee to CSL to cover all charges for brokerage, trade execution and other

necessary investment-related services rendered directly or indirectly for the benefit of Urbana by CSL. In 2022, CIM earned \$7.8M (2021 - \$7.0M) of investment management fees from Urbana. The investment management fees are accrued daily and paid monthly in arrears. As at December 31, 2022 there was an investment management fee of \$672,495 payable to CIM (2021 - \$638,274).

SUMMARY OF QUARTERLY RESULTS

The table below shows the key operating results of the Corporation for each of the eight most recently completed quarters:

	4 th Quarter 2022 (\$)	3 rd Quarter 2022 (\$)	2 nd Quarter 2022 (\$)	1 st Quarter 2022 (\$)
Realized gain	308,360	7,914	7,637,705	763,754
Change in unrealized gain (loss)	20,041,119	2,747,296	(39,683,841)	36,119,008
Dividend income	1,000,042	1,190,559	936,473	948,923
Interest income	114,991	110,276	144,816	133,443
Total expenses	3,110,899	2,764,272	2,644,888	2,521,385
Net income (loss) before income taxes	18,353,613	1,291,773	(33,609,735)	35,443,743
Net income (loss) before income taxes per Share	0.44	0.03	(0.80)	0.83
Net assets per Share (beginning of period)	7.07	7.02	7.68	7.00
Net assets per Share (end of period)	7.48	7.07	7.02	7.68
	4 th Quarter 2021 (\$)	3 rd Quarter 2021 (\$)	2 nd Quarter 2021 (\$)	1 st Quarter 2021 (\$)
Realized gain (loss)	(1,086,827)	7,761,289	6,132,354	(2,791,871)
Change in unrealized gain	5,697,504	5,483,826	24,323,963	26,252,702
Dividend income	3,124,096	812,225	643,355	663,466
Interest income	117,644	96,439	78,076	69,868
Total expenses	2,576,642	2,439,739	2,224,435	2,144,406
Net income before income taxes	5,275,775	11,714,040	28,953,313	22,049,759
Net income before income taxes per Share	0.12	0.27	0.66	0.50
Net assets per Share (beginning of period)	6.84	6.56	5.98	5.64
Net assets per Share (end of period)	7.00	6.84	6.56	5.98

The variations shown in the table above relate to the timing of investment decisions and do not reflect any general trends or seasonality.

FOURTH QUARTER

Realized gains of \$308,360 were generated in Q4 compared to \$7,914 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. Similarly, variations between Q4 in 2022 and Q4 in 2021 also relate to the timing of investment decisions, which are influenced by market movements, cash flow requirements and expectations regarding the economy, the political landscape and considerations related to the specific investments held. See above under the heading “*Overall Performance and Discussion of Operations*” 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 (see above under the heading “*Demand Loan Facility*”). The Corporation currently holds approximately 43% of its assets, with a fair value of approximately

\$157.5M, in cash and marketable securities. It has the liquidity to readily meet all of its operating expense requirements and its obligations under the loan facility.

In 2022, 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 commitments.

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

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has 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

There have been no changes in accounting policies during 2022 that affect the Corporation.

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, 2022, (A) the Corporation's DC&P provide reasonable assurance that (i) material information relating to the

Corporation has been made known to them, particularly during the financial year ended December 31, 2022 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, 2022 and have concluded that 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, 2022, 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 year beginning January 1, 2022 and ending on December 31, 2022 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 within the meaning of applicable Canadian securities laws, which is information relating to possible events, business, operations, financial performance, condition or results of operations of the Corporation, that 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", "schedule", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words (including negative or grammatical variations) or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative connotation or grammatical variation thereof. 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, both in its public holdings and private sector holdings; the ability to achieve and maintain long-term performance; the structuring of its investments and its plans to manage its investments and sort out less promising positions; the Corporation's outlook for the equity markets; the timing for the disposition of investments and the performance of such investments; the Corporation's financial performance; the Corporation's ability to manage relevant conflicts of interest; the Corporation's plans regarding future dividends; the Corporation's funding sources for any capital expenditure commitments; the Corporation's ability to meet its liquidity and debt needs and potential courses of action to address any future liquidity needs; any purchases under the Corporation's normal course issuer bid; statements related to future development or prospects of Urbana's mineral claims; and its expectations regarding the performance of its investments and 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; fluctuations in the value of investments; the available opportunities and competition for its investments; the availability of good values in many major companies and the Corporation's ability to realize on such values; the concentration of its investments in

certain industries and sectors; the Corporation's dependence on its management team; risks affecting the Corporation's investments; factors affecting and fluctuations in markets; private entity investing; limited liquidity of certain assets; global political and economic conditions; any impact of the COVID-19 pandemic; investments by the Corporation 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 "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. Forward-looking information and statements serve to provide information about management's current expectations and plans and to allow investors and others to get a better understanding of the Corporation's operating environment. 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 applicable securities laws. 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, 2022 and December 31, 2021

Urbana Corporation

Audited Financial Statements
December 31, 2022 and December 31, 2021

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Urbana Corporation

Opinion

We have audited the financial statements of Urbana Corporation (the "Company"), which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of Level 3 Investments — Refer to Notes 1 and 2 to the Financial Statements

Key Audit Matter Description

The Company's investment portfolio includes private investments, including securities of private issuers, ("private investments") for which reliable quotations are not readily available, or for which there is no closing bid price. Management uses various valuation methodologies with unobservable market inputs in its determination of the fair value of private investments which are outlined in Notes 1 and 2 to the financial statements. The valuation methodologies used in estimating the fair value of these private investments vary based on the specific characteristics of the private investments.

The valuation of the private investments is inherently subjective, and involves the use of significant management judgment and unobservable market inputs. As a result, the procedures related to the valuation methodologies and unobservable market inputs required a high degree of auditor judgment and increased audit effort, including the use of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the valuation methodologies and unobservable market inputs used by management to estimate the fair value of the private investments included the following, among others:

- For a sample of private investments, with the assistance of fair value specialists,
 - Evaluated the appropriateness of the methodology used in the valuation of the private investments.
 - Evaluated the reasonableness of any significant changes in valuation methodologies or significant unobservable market inputs.
 - Reviewed relevant internal and external information, including industry information, to assess the reasonability of unobservable market inputs in instances where these inputs were more subjective.
 - Developed independent fair value estimates by using private investment financial information, which was compared to agreements or underlying source documents provided to the Company by the private investments, and available market information from third party sources such as market spreads, market multiples, and leverages.
- Evaluated management's fair value estimates by comparing to subsequent transactions, taking into account changes in market or investment specific conditions, where applicable.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Francesco Quatralè.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 22, 2023

Urbana Corporation

Statements of financial position as at December 31, 2022 and December 31, 2021

(In Canadian dollars)

	2022	2021
	\$	\$
Assets		
Cash	268,579	387,090
Investments, at fair value (Notes 2 and 3)	364,156,343	347,179,284
Accounts and other receivables (Notes 4 and 9)	2,701,128	532,993
	367,126,050	348,099,367
Liabilities		
Loan payable (Note 6)	32,000,000	23,700,000
Accounts payable and accrued liabilities (Note 5)	1,149,862	928,689
Deferred income tax liability (Note 10)	24,374,000	22,331,000
	57,523,862	46,959,689
Shareholders' equity		
Share capital (Note 8)	98,760,119	103,399,782
Contributed surplus	66,649,532	68,164,415
Retained earnings	144,192,537	129,575,481
Shareholders' equity representing net assets	309,602,188	301,139,678
Total liabilities and shareholders' equity	367,126,050	348,099,367
Number of shares outstanding (Note 8)	41,395,100	43,000,000

See accompanying notes

Approved by the Board



Director



Director

Urbana Corporation

Statements of comprehensive income

for the years ended December 31, 2022 and December 31, 2021

(In Canadian dollars)

	2022	2021
	\$	\$
Revenue		
Net realized gain on sale and disposal of investments	8,717,733	10,014,945
Net change in unrealized gain on investments	19,223,582	61,757,995
Dividends	4,075,997	5,243,142
Interest	503,526	362,027
	32,520,838	77,378,109
Expenses		
Investment management fees (Note 9)	7,798,935	6,955,664
Interest	1,279,533	718,899
Administrative (Note 9)	1,618,479	1,376,534
Transaction costs (Note 9)	54,132	37,249
Professional fees	290,365	296,876
	11,041,444	9,385,222
Net income before income taxes	21,479,394	67,992,887
Foreign withholding tax expense (Note 10)	362,947	308,633
Current income tax expense (Note 10)	156,370	-
Provision for deferred income taxes (Note 10)	2,043,000	7,690,000
Income tax expense	2,562,317	7,998,633
Total profit and comprehensive income for the year	18,917,077	59,994,254
Basic and diluted earnings per share	0.45	1.37
Weighted average number of shares outstanding	42,050,100	43,854,399

See accompanying notes

Urbana Corporation

Statements of changes in equity for the years ended December 31, 2022 and December 31, 2021

(In Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Total
	\$	\$	\$	\$
Balance at January 1, 2021	106,902,807	68,706,177	73,560,302	249,169,286
Total profit and comprehensive income for the year	-	-	59,994,254	59,994,254
Dividends paid	-	-	(3,979,075)	(3,979,075)
Normal course issuer bid repurchases	(3,503,025)	(541,762)	-	(4,044,787)
Balance at December 31, 2021	103,399,782	68,164,415	129,575,481	301,139,678
Balance at January 1, 2022	103,399,782	68,164,415	129,575,481	301,139,678
Total profit and comprehensive income for the year	-	-	18,917,077	18,917,077
Dividends paid	-	-	(4,300,021)	(4,300,021)
Normal course issuer bid repurchases	(4,639,663)	(1,514,883)	-	(6,154,546)
Balance at December 31, 2022	98,760,119	66,649,532	144,192,537	309,602,188

See accompanying notes

Urbana Corporation

Statements of cash flows

for the years ended December 31, 2022 and December 31, 2021

(In Canadian dollars)

	2022	2021
	\$	\$
Operating activities		
Total profit and comprehensive income for the year	18,917,077	59,994,254
Items not affecting cash		
Net realized gain on sale and disposal of investments	(8,717,733)	(10,014,945)
Net change in unrealized gain on investments	(19,223,582)	(61,757,995)
Provision for deferred income taxes	2,043,000	7,690,000
Purchases of investments	(17,101,294)	(76,673,041)
Proceeds on sale of investments	28,065,550	88,481,701
	3,983,018	7,719,974
Net change in non-cash working capital items		
Accounts and other receivables	(2,168,135)	(145,813)
Accounts payable and accrued liabilities	221,173	(795,665)
	(1,946,962)	(941,478)
Cash provided by operating activities	2,036,056	6,778,496
Financing activities		
Issuance of loan payable	33,500,000	41,800,000
Repayment of loan payable	(25,200,000)	(40,900,000)
Dividends paid	(4,300,021)	(3,979,075)
Normal course issuer bid repurchases	(6,154,546)	(4,044,787)
Cash used in financing activities	(2,154,567)	(7,123,862)
Net change in cash during the year	(118,511)	(345,366)
Cash, beginning of year	387,090	732,456
Cash, end of year	268,579	387,090
Supplemental disclosure		
Dividends received	3,625,990	4,921,771
Interest received	444,806	388,235
Interest paid	1,161,499	733,834

See accompanying notes

Urbana Corporation

Schedule of investment portfolio as at December 31, 2022

(In Canadian dollars)

Number of securities	Description	Cost	Fair value
	Private equity investments	\$	\$
13,480,878	CNSX Markets Inc. (Note 9)	8,168,349	80,885,268
1,327,620	Miami International Holdings Inc.	12,257,268	14,318,916
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	3,168,000
2,350,000	Radar Capital Inc. Class A Common (Note 9)	50	-
16,755,081	Radar Capital Inc. Class B Common (Note 9)	11,561,006	4,681,370
1,544,236	Evolve Funds Group Inc. ("Evolve") Class B Preferred	1,772,788	4,648,150
3,000,000	Evolve Funds Group Inc. Class C Preferred	2,130,658	9,030,000
771,638	Evolve Funds Group Inc. Class D Preferred	771,638	771,638
1,195,246	EFG Management Holdings Inc. ("EFG") Class A Common (i)	3,597,690	3,597,690
498,041	EFG Management Holdings Inc. Class E Common (i)	1,499,103	1,499,103
15,259,886	Highview Financial Holdings Inc. (Note 9)	11,546,243	19,837,852
5	Integrated Grain Processors Co-operative Inc. Membership Shs	500	500
1,936,097	Integrated Grain Processors Co-operative Inc. Class E Preferred	3,153,691	8,906,046
4,538,460	Four Lakes Capital Fund Limited Partnership	4,999,998	8,142,469
84,012	Caldwell Growth Opportunities Fund ("CGOF") (ii) (Note 9)	703,437	627,958
465,381	Vive Crop Protection Inc. Class A2 Preferred	314,132	314,132
455,671	Vive Crop Protection Inc. Class B1 Preferred	45,567	209,609
6,500,000	Vive Crop Protection Inc. Class B3 Preferred	3,250,000	3,250,000
2,492,279	Vive Crop Protection Inc. Class C1 Preferred	1,629,452	1,629,452
27,428	Kognitiv Corporation Class A-2 Preferred	353,000	253,827
122,222	Kognitiv Corporation	2,404,596	145,732
380,000	Lyceum CME Inc. Class B Preferred	1,900,000	1,900,000
6,047,895	FundThrough Inc. Class A Preferred	6,250,000	9,132,322
208,290	Varo Money, Inc.	2,565,000	2,615,046
1,750,000	Tetra Trust Company Class A Common	1,750,000	1,995,000
5,622	Urbana International Inc. ("UII") (iii) (Note 9)	10,479,725	11,403,950
		94,930,541	192,964,030
	Public equity investments		
715,599	Caldwell Canadian Value Momentum Fund (Note 9)	13,703,577	14,839,811
110,000	Cboe Global Markets, Inc.	3,637,004	18,700,614
100,000	Intercontinental Exchange Group Inc.	4,153,846	13,900,432
150,000	Citigroup Inc.	7,632,146	9,192,658
350,000	Bank of America Corp.	4,882,387	15,706,580
250,000	Morgan Stanley	6,933,526	28,799,462
1,600,000	Real Matters Inc.	6,352,346	6,688,000
4,000,000	Tamarack Valley Energy Ltd.	10,719,252	17,840,000
200,000	KKR & Co. Inc. Class A	7,516,623	12,579,356
20,000	Canadian Imperial Bank of Commerce	1,103,234	1,095,400
2,500,000	Whitecap Resources Inc.	8,776,111	26,850,000
		75,410,052	166,192,313
	Private debt investments		
3,000,000	Highview Financial Holdings Inc. (iv) (Note 9)	3,000,000	3,000,000
1,000	Integrated Grain Processors Co-operative Inc. (v)	1,000,000	1,000,000
1,000,000	Kognitiv Corporation (vi)	1,000,000	1,000,000
		5,000,000	5,000,000
		175,340,593	364,156,343

(i) EFG is a holding company formed for the sole purpose of holding shares of Evolve. EFG owns a controlling interest in Evolve and is controlled by the management of Evolve.

(ii) Urbana owns 11.47% of CGOF, which owns 5.50% of the Class B common shares of Radar Capital Inc.

(iii) UII, a wholly-owned subsidiary of Urbana, formed for the sole purpose of investing in Blue Ocean Technologies, LLC ("Blue Ocean"), holds 5,621.5 units of Blue Ocean.

Urbana Corporation

Schedule of investment portfolio as at December 31, 2022

(In Canadian dollars)

(iv) Unsecured convertible promissory note maturing on June 30, 2023 with interest at 8% per annum payable quarterly. This promissory note was issued in connection with a \$3 million revolving line of credit and is convertible (in whole or in part) into common shares on the maturity date at \$1.07 per common share.

(v) Debenture maturing on July 31, 2023 with interest at 7% per annum payable quarterly.

(vi) Secured subordinated convertible note maturing on July 31, 2023 with interest at 12% per annum payable monthly. In lieu of a monthly cash interest payment, Kognitiv makes a payment-in-kind by capitalizing the interest payable on each monthly interest payment date.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. No mining expenditures were incurred in 2022 or 2021.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

Urbana Corporation (“Urbana” or the “Company”) is an investment company that is not considered an investment fund for securities law purposes but is treated as an investment entity for accounting purposes.

The Company’s common shares (“Common Shares”) and non-voting class A shares (“Class A Shares”) are listed for trading on the Toronto Stock Exchange (“TSX”) and the Canadian Securities Exchange (“CSE”). Its registered head office is located at 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9.

Urbana’s strategy is to seek out, and invest in, private investment opportunities for capital appreciation and invest in publicly traded securities to provide growth, income and liquidity.

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 settlement 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 the Company’s business model for managing its financial instruments, and whether or not the business of the Company is to manage the financial assets with the objective of realizing cash flows through the sale of the assets for the purpose of classifying certain financial instruments at fair value through profit or loss (“FVTPL”).

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.

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

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

1. Summary of significant accounting policies (continued)

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies may be 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, available market prices and formulas prescribed by applicable shareholder agreements. 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

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

1. Summary of significant accounting policies (continued)

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

Financial instruments

The Company's financial instruments are comprised of cash, investments, accounts and other receivables, loan payable, and accounts payable and accrued liabilities. The Company recognizes financial instruments at fair value upon initial recognition. The Company measures the expected credit loss ("ECL") allowance on accounts and other receivables at an amount equal to the 12 month expected credit losses. Given the short-term nature of accounts and other receivables and the high credit quality, the Company has determined that the ECL allowance is not material.

Investments have been classified at FVTPL with gains and losses recorded in net income. Cash, accounts and other receivables are measured at amortized cost. Loan payable and accounts payable and accrued liabilities are measured 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 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 deferred 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 deferred tax asset will be recognized to the extent that it is probable that it 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 (loss) per share

Basic earnings (loss) per share is computed by dividing the total profit (loss) 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 (loss) per share reflects the assumed conversion of all dilutive securities using the "treasury stock" method for purchase warrants and stock options.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

1. Summary of significant accounting policies (continued)

Interests in Other Entities

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2022 and 2021:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Urbana International Inc. ⁽¹⁾	United States	100%	100%
Radar Capital Inc.	Toronto	65.51%	65.51%

⁽¹⁾ UII, a wholly-owned subsidiary of Urbana, holds units of Blue Ocean Technologies, LLC.

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.

Transfers between the levels of the fair value hierarchy are deemed to occur on the date of the event or change in circumstances that caused the transfer.

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2022:

Investments	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	151,352,502	14,839,811	-	166,192,313
Private equity investments	-	-	192,964,030	192,964,030
Private debt investments	-	-	5,000,000	5,000,000
Total investments at FVTPL	151,352,502	14,839,811	197,964,030	364,156,343

Level 2 and 3 valuation methods – December 31, 2022

Description	Fair value (\$) ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Public equity investments				
Caldwell Canadian Value Momentum Fund	14,839,811	Net asset value per unit	Net asset value per unit	N/A

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

Private equity investments				
Caldwell Financial Ltd.	3,168,000	Prescribed formula which approximates fair value	1 x net fees plus net assets	N/A
Miami International Holdings Inc.	14,318,916	Average EV/revenue multiple	Average EV/revenue multiple	LTM:3.8-19.6 ⁽³⁾ NTM:7.9-18.5 ⁽⁴⁾
CNSX Markets Inc.	80,885,268	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Fund	627,958	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	19,837,852	EV as a % of AUM ⁽⁵⁾	EV as a % of AUM	1.0%-4.0%
Four Lakes Capital Fund Limited Partnership	8,142,469	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc. Class A	-	Net asset value per share	Net asset value per share	N/A
Radar Capital Inc. Class B	4,681,370	Net asset value per share	Net asset value per share	N/A
Evolve Funds Group Inc. Class B	4,648,150	Market transaction	Recent transaction price	N/A
Evolve Funds Group Inc. Class C	9,030,000	Market transaction	Recent transaction price	N/A
Evolve Funds Group Inc. Class D	771,638	Market transaction	Recent transaction price	N/A
EFG Management Holdings Inc. Class A	3,597,690	Market transaction	Recent transaction price	N/A
EFG Management Holdings Inc. Class E	1,499,103	Market transaction	Recent transaction price	N/A
Integrated Grain Processors Co-operative Inc. Membership Shares	500	Market transaction	Recent transaction price	N/A
Integrated Grain Processors Co-operative Inc. Class E	8,906,046	Market transaction	Recent transaction price	N/A
Lyceum CME Inc. Class B	1,900,000	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class A2	314,132	EV/LTM revenue multiple	EV/LTM revenue multiple	2.5-4.0 ⁽⁶⁾
Vive Crop Protection Inc. Class B1	209,609	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class B3	3,250,000	EV/LTM revenue multiple	EV/LTM revenue multiple	2.5-4.0 ⁽⁶⁾
Vive Crop Protection Inc. Class C1	1,629,452	EV/LTM revenue multiple	EV/LTM revenue multiple	2.5-4.0 ⁽⁶⁾
Kognitiv Corporation Class A-2	253,827	Market transaction	Recent transaction price	N/A
Kognitiv Corporation	145,732	Average EV/revenue multiple	Average EV/revenue multiple	LTM:1.4-8.5 ⁽⁷⁾ NTM:1.3-6.1 ⁽⁷⁾

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

FundThrough Inc. Class A	9,132,322	Average EV/LTM revenue/net interest income (NII) multiple	Average EV/LTM revenue/net interest income (NII) multiple	Rev:2.0-5.7 ⁽⁶⁾ NII:2.6-14.5 ⁽⁶⁾
Varo Money, Inc.	2,615,046	Market transaction	Recent transaction price	N/A
Tetra Trust Company Class A	1,995,000	Market transaction	Recent transaction price	N/A
Urbana International Inc.	11,403,950	Market transaction	Recent transaction price	N/A
Private debt investments				
Highview Financial Holdings Inc.	3,000,000	Face value	N/A	N/A
Integrated Grain Processors Co-operative Inc.	1,000,000	Face value	N/A	N/A
Kognitiv Corporation	1,000,000	Face value	N/A	N/A
Ending balance	212,803,841			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is applicable, an input or range has been provided

⁽³⁾ Last twelve months enterprise value/revenue: 11.4x.

⁽⁴⁾ Next twelve months enterprise value/revenue: 11.9x.

⁽⁵⁾ Enterprise value as a percentage of assets under management

⁽⁶⁾ Last twelve months enterprise value/revenue: 3.0x

⁽⁷⁾ Last twelve months enterprise value/revenue: 4.5x. Next twelve months enterprise value/revenue: 3.7x.

⁽⁸⁾ Last twelve months enterprise value/revenue: 3.5x. Last twelve months enterprise value/NII: 6.2x.

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2021:

Investments	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	174,308,829	20,234,763	-	194,543,592
Private equity investments	-	-	147,135,692	147,135,692
Private debt investments	-	-	5,500,000	5,500,000
Total investments at FVTPL	174,308,829	20,234,763	152,635,692	347,179,284

Level 2 and 3 valuation methods – December 31, 2021

Description	Fair value (\$) ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Public equity investments				
Caldwell Canadian Value Momentum Fund	20,234,763	Net asset value per unit	Net asset value per unit	N/A

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

Private equity investments				
Caldwell Financial Ltd.	2,648,000	Prescribed formula which approximates fair value	1 x net fees plus net assets	N/A
Miami International Holdings Inc.	13,415,866	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	55,189,600	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Fund	770,250	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	19,532,654	EV as a % of AUM ⁽³⁾	EV as a % of AUM	1.0%-4.0%
Four Lakes Capital Fund Limited Partnership	8,344,803	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc. Class A	-	Net asset value per share	Net asset value per share	N/A
Radar Capital Inc. Class B	5,398,487	Net asset value per share	Net asset value per share	N/A
Evolve Funds Group Inc. Class B	3,381,877	EV as a % of adjusted AUM	EV as a % of adjusted AUM	0.8-5.4 ⁽⁴⁾
Evolve Funds Group Inc. Class C	6,570,000	EV as a % of adjusted AUM	EV as a % of adjusted AUM	0.8-5.4 ⁽⁴⁾
Evolve Funds Group Inc. Class D	719,342	Market transaction	Recent transaction price	N/A
Integrated Grain Processors Co-operative Inc. Membership Shares	500	Market transaction	Recent transaction price	N/A
Integrated Grain Processors Co-operative Inc. Class E	4,486,212	Market transaction	Recent transaction price	N/A
Vive Crop Protection Inc. Class A2	314,132	EV/LTM revenue multiple	EV/LTM revenue multiple	2.2-7.2 ⁽⁵⁾
Vive Crop Protection Inc. Class B1	45,567	EV/LTM revenue multiple	EV/LTM revenue multiple	2.2-7.2 ⁽⁵⁾
Vive Crop Protection Inc. Class B3	3,250,000	EV/LTM revenue multiple	EV/LTM revenue multiple	2.2-7.2 ⁽⁵⁾
Vive Crop Protection Inc. Warrants	-	EV/LTM revenue multiple	EV/LTM revenue multiple	2.2-7.2 ⁽⁵⁾
Kognitiv Corporation Preferred	315,622	Market transaction	Recent transaction price	N/A
Kognitiv Corporation	301,822	Average EV/revenue multiple	Average EV/revenue multiple	LTM:3.1-7.1 ⁽⁶⁾ NTM:2.2-6.2 ⁽⁶⁾
FundThrough Inc. Preferred	7,620,348	Average EV/LTM revenue/net interest income (NII) multiple	Average EV/LTM revenue/net interest income (NII) multiple	Rev:4.4-10.2 ⁽⁷⁾ NII:3.6-14.9 ⁽⁷⁾
Varo Money, Inc.	2,437,872	Market transaction	Recent transaction price	N/A
Tetra Trust Company Class A	1,750,000	Market transaction	Recent transaction price	N/A
Urbana International Inc.	10,642,738	Market transaction	Recent transaction price	N/A

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

Private debt investments				
Highview Financial Holdings Inc.	3,000,000	Face value	N/A	N/A
Integrated Grain Processors Co-operative Inc.	1,000,000	Face value	N/A	N/A
Vive Crop Protection Inc.	1,500,000	Face value	N/A	N/A
Ending balance	172,870,455			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is applicable, an input or range has been provided

⁽³⁾ Enterprise value as a percentage of assets under management

⁽⁴⁾ Enterprise value as a percentage of adjusted assets under management: 2.55%

⁽⁵⁾ Last twelve months enterprise value/revenue: 4.1x

⁽⁶⁾ Last twelve months enterprise value/revenue: 4.9x. Next twelve months enterprise value/revenue: 3.8x.

⁽⁷⁾ Last twelve months enterprise value/revenue: 6.8x. Last twelve months enterprise value/NIII: 8.0x.

Change in valuation methodology

During 2022, the Company changed the primary valuation technique for Miami International Holdings Inc. from a methodology based on a recent market transaction to a methodology based on an EV/revenue multiple as there was no recent market transaction. In the absence of a recent transaction, the EV/revenue multiple methodology was more suitable in determining fair value. Also during 2022, the Company changed the primary valuation technique for the Class B and Class C preferred shares of Evolve Funds Group Inc. from a methodology based on EV as a % of AUM to a methodology based on a recent market transaction since a recent market transaction was more suitable in determining fair value. Lastly during 2022, the Company changed the primary valuation technique for the Class B1 preferred shares of Vive Crop Protection Inc. from a methodology based on an EV/revenue multiple to a methodology based on a recent market transaction since a recent market transaction was more suitable in determining fair value.

During 2021, the Company changed the primary valuation technique for the common shares of Kognitiv Corporation from a methodology based on a recent market transaction to a methodology based on an EV/revenue multiple as there was no recent market transaction. In the absence of a recent transaction, the EV/revenue multiple methodology was more suitable in determining fair value. Also during 2021, the Company changed the primary valuation technique for FundThrough Inc. from a methodology based on a recent market transaction to a methodology based on an EV/revenue/net interest income multiple as there was no recent market transaction. In the absence of a recent transaction, the EV/revenue/net interest income multiple methodology was more suitable in determining fair value.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

During the years ended December 31, 2022 and 2021 the reconciliations of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

December 31, 2022			
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	147,135,692	5,500,000	152,635,692
Change in unrealized gain	38,589,530	-	38,589,530
Purchases	7,238,808	1,000,000	8,238,808
Sales	-	(1,500,000)	(1,500,000)
Ending balance	192,964,030	5,000,000	197,964,030

December 31, 2021			
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	115,826,394	5,133,980	120,960,374
Change in unrealized gain	24,205,537	-	24,205,537
Purchases	32,901,224	2,500,000	35,401,224
Sales	(5,562,700)	(2,133,980)	(7,696,680)
Transfer out of level 3	(20,234,763)	-	(20,234,763)
Ending balance	147,135,692	5,500,000	152,635,692

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

The significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2022 and 2021 are shown below:

Level 3 valuation methods – December 31, 2022

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	316,800
	Recent transaction price	10%	12,771,583
	Net asset value	10%	1,345,180
	EV as a % of assets under mgt. – Highview	1%	8,545,535
	Average EV/LTM_NTM revenue multiple – Kognitiv, Miami	10%	1,495,393
	EV/LTM revenue multiple – Vive ⁽²⁾	2.4%	1,461,256
	Average EV/LTM revenue/net interest income multiple - FundThrough	10%	967,663

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

2. Fair value measurement (continued)

Private debt investments	Face value	10%	500,000
Total			27,403,409

Level 3 valuation methods - December 31, 2021

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	264,800
	Recent transaction price	10%	8,895,775
	Net asset value	10%	1,451,354
	EV as a % of assets under mgt. – Highview	1%	8,545,537
	EV as a % of adjusted assets under mgt. – Evolve	0.25%	4,282,679
	Average EV/LTM_NTM revenue multiple - Kognitiv	10%	55,887
	EV/LTM revenue multiple - Vive ⁽²⁾	2.4%	933,002
	Average EV/LTM revenue/net interest income multiple - FundThrough	10%	725,747
	Private debt investments	Face value	10%
Total			25,704,781

⁽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.

⁽²⁾ The sensitivity has been performed on the total equity price given the valuation approach takes into account that the preferred shares have liquidation preference to the common shares. Based on the sensitivity performed, there is sufficient equity value to support Urbana's holdings in the respective preferred share classes.

During 2022, there were no transfers into/out of Level 1, Level 2 or Level 3 investments. During 2021, the investment in Caldwell Canadian Value Momentum Fund was transferred out of Level 3 to Level 2 to more appropriately reflect its status as a public mutual fund that is redeemable daily and whose entire portfolio of securities trades on stock exchanges

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.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

3. Financial instruments and risk management (continued)

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 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, 2022, the Company held \$5,000,000 (December 31, 2021 – \$5,500,000) 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 amounts of debt instruments and other assets, as disclosed in the statements of financial position, represent the maximum credit exposure. The Company measures credit risk and lifetime ECLs related to accounts and other receivables using historical analysis and forward looking information in determining the ECLs.

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, 2022	Due on demand	< 3 months	3 months to 1 year	Total
Financial Liabilities				
	\$	\$	\$	\$
Loan payable	32,000,000	-	-	32,000,000
Accounts payable and accrued liabilities	-	1,149,862	-	1,149,862
	32,000,000	1,149,862	-	33,149,862
<hr/>				
December 31, 2021	Due on demand	< 3 months	3 months to 1 year	Total
Financial Liabilities				
	\$	\$	\$	\$
Loan payable	23,700,000	-	-	23,700,000
Accounts payable and accrued liabilities	-	928,689	-	928,689
	23,700,000	928,689	-	24,628,689

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 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 falls.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

3. Financial instruments and risk management (continued)

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2022 and 2021:

Currency	December 31, 2022	December 31, 2021
	As a % of net assets	As a % of net assets
	%	%
United States Dollar	41.30	48.98

As at December 31, 2022, the Company's net assets would have decreased or increased by approximately \$6,394,016 (December 31, 2021 - \$7,374,336) 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 assets such as cash and debt securities held and on financial liabilities such as loan payable. The Company is exposed to the risk that the value of interest-

bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Company's interest income and expense are positively correlated to interest rates in that rising interest rates increase both the interest income and expense while the reverse is true in a declining interest rate environment.

The table below summarizes the Company's exposure to interest rate risks by remaining term to maturity.

As at December 31, 2022	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash	\$ 268,579	\$ -	\$ -	\$ -	\$ 268,579
Financial asset – debt	5,000,000	-	-	-	5,000,000
Loan payable	(32,000,000)	-	-	-	(32,000,000)
	(26,731,421)	-	-	-	(26,731,421)

As at December 31, 2021	Less than 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash	\$ 387,090	\$ -	\$ -	\$ -	\$ 387,090
Financial asset – debt	-	5,500,000	-	-	5,500,000
Loan payable	(23,700,000)	-	-	-	(23,700,000)
	(23,312,910)	5,500,000	-	-	(17,812,910)

As at December 31, 2022, 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 \$221,043 (2021 - \$169,235). In practice, the actual results may differ materially.

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.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

3. Financial instruments and risk management (continued)

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, 2022, 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 \$16,619,231 (2021 - \$ 19,454,359) or approximately 5.37% (2021 – 6.46%) 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, 2022	December 31, 2021
	\$	\$
Dividends and distributions	2,122,072	94,725
Interest	194,008	135,288
Loans	280,973	210,573
Due from subsidiary	104,075	92,407
	2,701,128	532,993

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2022	December 31, 2021
	\$	\$
Investment management fees (Note 9)	672,495	638,274
Professional fees	237,346	161,226
Loan interest	175,341	57,306
Administrative fees	53,900	46,991
Other	10,780	24,892
	1,149,862	928,689

6. Loan payable

Pursuant to a loan facility agreement between the Company and a major Canadian bank (the "Bank") dated February 15, 2008, as amended on March 2, 2015, the Bank provided a demand loan facility to the Company which allowed Urbana to borrow up to \$25,000,000. On July 2, 2021, the loan facility agreement was amended and restated to allow the Company to borrow up to \$50,000,000. Effective as of the date of the amended and restated loan facility agreement, interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 0.25%, calculated on a daily basis and paid monthly. Previously, interest was charged at the Bank's prime rate plus 1.25%. The loan facility is secured by a general charge on the Company's assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at December 31, 2022, the outstanding balance of the loan was \$32,000,000 (December 31, 2021 - \$23,700,000) which is the fair value of the loan. During the year ended December 31, 2022, the minimum amount borrowed was \$19,400,000 (2021 - \$12,100,000) and the maximum amount borrowed was \$35,000,000 (2021 - \$30,000,000). As at December 31, 2022 and 2021, the Company has complied with all covenants, conditions and other requirements of the loan facility.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

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. Urbana holds 44 claims in the area totaling 1,154.4 hectares (2,852.7 acres). A report which summarizes both the exploration work and results to date has been completed and will assist in determining next steps. 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 \$1,146,119, all of which were incurred prior to 2019. These costs have been expensed as incurred and recorded as a loss in net realized gain on sale and disposal of investments.

8. Share capital

As at December 31, 2022 and 2021 share capital consists of the following:

	Year ended December 31, 2022		Year ended December 31, 2021	
	Number	Amount (\$)	Number	Amount (\$)
<i>Authorized</i>				
Preferred shares	Unlimited	N/A	Unlimited	N/A
Common Shares	Unlimited	N/A	Unlimited	N/A
Class A Shares	Unlimited	N/A	Unlimited	N/A
<i>Issued - Common Shares</i>				
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
<i>Issued - Class A Shares</i>				
Balance, beginning of year	33,000,000	95,400,889	34,211,727	98,903,914
Normal Course Issuer Bid				
Repurchases during the year	(1,604,900)	(4,639,663)	(1,211,727)	(3,503,025)
Balance, end of year	31,395,100	90,761,226	33,000,000	95,400,889
Total	41,395,100	98,760,119	43,000,000	103,399,782

The Common Shares and Class A Shares have been classified as equity in these financial statements as the holders of these shares have no contractual rights that would require the Company to redeem the shares.

On August 31, 2022, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 3,139,548 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 September 7, 2022, and will terminate on the earlier of September 6, 2023, the date Urbana completes its purchases pursuant to the notice of intention to conduct a normal course issuer bid filed with the TSX, and 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 must be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 4,342 Class A Shares ("Daily Restriction"), being 25% of the average daily volume for the most recently completed six months prior to the filing of the NCIB with the TSX, which is 17,369 Class A Shares, calculated in accordance with the TSX rules. Notwithstanding the Daily Restriction, Urbana may make one purchase of more than the Daily Restriction in any given week in accordance with the TSX's block purchase rules. As at December 31, 2022, Urbana has purchased and cancelled 290,000 Class A Shares at an average price of \$3.95 per share pursuant to the NCIB. Pursuant to the previous normal course issuer bid that terminated on September 6, 2022, Urbana purchased and cancelled 2,414,900 Class A Shares at an average price of \$3.60 per share.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

9. Related party disclosures

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. (“CIM”), which is the investment manager of Urbana, and of Caldwell Securities Ltd. (“CSL”). Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana. As at December 31, 2022 and 2021, Urbana had a 20% ownership interest in CFL.

CSL, an affiliate of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions. In 2022, the total commission fees paid to CSL by Urbana amounted to \$54,116 (2021 – \$37,249) which was incurred in connection with the NCIB and was included in transaction costs.

Pursuant to an administrative services agreement effective as of March 1, 2019 and as amended on April 1, 2021, in 2022 Urbana paid CSL \$371,544 (2021 - \$364,764) for administrative services, including investor relations services, information technology services, professional corporate office services, and office and conference room access for Urbana’s staff, directors and officers. In addition, in 2022 Urbana paid CSL \$45,200 in respect of two special projects that were undertaken by CSL on behalf of Urbana. These costs were included in administrative expenses. On April 1, 2021 and January 1, 2023, the administrative services agreement was amended to increase the monthly fee by \$2,260 and \$6,441, respectively, due to the increase in investor relations services and the increased costs of all services, performed by CSL on behalf of Urbana. These fee increases and the fees for the special projects were approved by the independent directors.

In 2022 Urbana paid total fees of \$3,308 (2021 - \$16,063) to CSL for their services in respect of arranging for the transfer of private equity securities to Urbana by way of a “share transfer platform” that CSL manages on behalf of Integrated Grain Processors Co-operative Inc.

As at December 31, 2022 and 2021 Urbana owned 50% of the voting class A common shares and 68.49% of the voting class B common shares of Radar Capital Inc. (“RCI”), a private capital company. As a result, Urbana owns a total of 65.51% of the voting common shares of RCI with each class A and class B common share entitled to one vote.

As at December 31, 2022 Urbana had an 11.47% ownership interest (December 31, 2021 – 11.66%) in Caldwell Growth Opportunities Fund, which is a private equity pool managed by CIM. Urbana does not pay a management fee, as described in the management fee paragraph below, on this investment.

In February 2022, Urbana redeemed 189,837 units of Caldwell Canadian Value Momentum Fund (“CCVMF”) for \$4,300,000. As at December 31, 2022 Urbana had a 7.40% ownership interest (December 31, 2021 – 9.08%) in CCVMF, which is a mutual fund managed by CIM. Urbana pays a 0.5% per annum management fee on this investment pursuant to an agreement dated July 30, 2020 between Urbana and CIM, instead of the 2.0% per annum management fee paid to CIM, as described in the management fee paragraph below.

Pursuant to an investment management and advisory agreement dated December 6, 2019 and effective as of January 1, 2020, CIM is entitled to an investment management fee equal to 2.0% per annum of the market value of Urbana’s investment portfolio, and, with the exception of NCIB purchases, CIM pays a fee to CSL to cover all charges for brokerage, trade execution and other necessary investment-related services rendered directly or indirectly for the benefit of Urbana by CSL. In 2022, CIM earned \$7,798,935 of investment management fees from Urbana (2021 - \$6,955,664). The investment management fees are accrued daily and were paid quarterly in arrears until April 1, 2021, when the investment management and advisory agreement was amended to change the frequency of the investment management fee payment from quarterly to monthly. As at December 31, 2022 there was an investment management fee payable included in accounts payable and accrued liabilities of \$672,495 to CIM (December 31, 2021 – \$638,274).

In December 2022 and August 2021, Urbana purchased 20,000 and 200,000 common shares of CNSX Markets Inc. (“CNSX”), the operator of the CSE, for \$120,000 and \$800,000, respectively. As at December 31, 2022 Urbana owned 49.99% (December 31, 2021 – 49.92%) of the common shares of CNSX.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

9. Related party disclosures (continued)

In February 2021 Urbana purchased \$5,923,400 of common shares of Highview Financial Holdings Inc. ("HFHI") from RCI at a price per share based on the prescribed formula in the HFHI shareholders' agreement. As at December 31, 2022 and 2021 Urbana had a 73.42% direct ownership interest in HFHI and RCI had a Nil ownership interest in HFHI. Pursuant to the HFHI amended and restated shareholders' agreement effective as of December 30, 2020, Urbana is not entitled to elect a majority of the board of directors of HFHI and therefore it is not considered a subsidiary of Urbana. As at December 31, 2022 and 2021 Urbana held a \$3,000,000 convertible promissory note from HFHI.

In 2021, Urbana invested a total of \$10,479,725 in 5,621.5 units of Blue Ocean Technologies, LLC ("Blue Ocean") through Urbana International Inc. ("UII"), its wholly-owned subsidiary. As at December 31, 2022 and 2021 UII owned 37.31% of the units of Blue Ocean. UII was formed for the sole purpose of investing in Blue Ocean. Urbana funded UII with \$10,479,725 in exchange for 5,621.5 common shares of UII. As at December 31, 2022 Urbana had a receivable of \$104,075 (December 31, 2021 - \$92,407) from UII in respect of operating expenses incurred by UII.

In 2021, Urbana redeemed its shares of Caldwell India Holdings Inc. ("CIHI") and its shares of Urbana Mauritius Inc. ("UMI"), both wholly-owned subsidiaries of Urbana, for proceeds of \$8,459,862 and \$3,931,444, respectively. Subsequently, both CIHI and UMI were wound up. CIHI and UMI had been created for the sole purpose of holding equity shares of the Bombay Stock Exchange, which shares were sold prior to Urbana's redemption of its CIHI and UMI shares.

In 2021, Urbana transferred 500,000 shares of Meta Material Inc. valued at \$3,639,065, to Urbana Special Investment Holdings Ltd. ("USIH"), a wholly-owned subsidiary of Urbana, in exchange for 500,000 common shares of USIH. Later in 2021, USIH was liquidated for proceeds of \$2,688,631 and was subsequently wound up. USIH had been used by Urbana to hold certain investments.

In 2022, the remuneration of key management personnel (including directors), which included salaries and short-term benefits, was \$630,195 (2021 - \$612,789).

During 2022 and 2021, Urbana issued loans to certain of its directors and officers in connection with their purchase of securities of the Company. The loan agreements provide for a revolving credit facility of up to \$100,000 for each such person. Interest is charged at the interest rate specified by the Canada Revenue Agency for loans of this nature. The securities of the Company purchased by each person with funds advanced under the revolving credit facility are held in a broker's account as security for the loan. As at December 31, 2022 the total principal amount of the loans outstanding, which is included in accounts and other receivables, is \$280,973 (December 31, 2021 - \$210,573).

All related party transactions are recorded at their exchange amounts.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

10. Income taxes

The Company's provision for income taxes for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
	\$	\$
Net income before income taxes	21,479,394	67,992,887
Expected taxes payable at future rates - 26.5%	5,692,039	18,018,115
Income tax effect of the following:		
Non-taxable portion of realized capital gains	(1,666,611)	(1,328,696)
Non-taxable portion of unrealized capital gains	(2,547,125)	(8,182,934)
Non-taxable dividends	(438,933)	(843,580)
Foreign withholding tax expense	362,947	226,845
Adjustment to prior year's tax balance	1,166,514	166,648
Other	(6,514)	(57,765)
Income tax expense	2,562,317	7,998,633

The income tax expense is represented as follows:

	2022	2021
	\$	\$
Provision for deferred income taxes	2,043,000	7,690,000
Current income tax expense	156,370	-
Foreign withholding tax expense	362,947	308,633
Income tax expense	2,562,317	7,998,633

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

	December 31, 2022	December 31, 2021
	\$	\$
Resource deductions available in perpetuity	(7,682)	(48,029)
Unrealized capital gains on investments	25,970,890	23,193,127
Non-capital loss carryforwards	(1,589,587)	(813,713)
Other	379	(385)
Total deferred income tax liability	24,374,000	22,331,000

As at December 31, 2022, the Company had a non-capital loss of \$5,998,443 (December 31, 2021 - \$3,070,615) available for carryforward for tax purposes. This loss expires on December 31, 2042.

11. Dividends

On January 31, 2022 the Company paid a regular cash dividend of \$0.10 per share on the issued and outstanding Common and Class A Shares as at January 17, 2022 amounting to \$4,300,021. On January 29, 2021 the Company paid a regular cash dividend of \$0.09 per share on the issued and outstanding Common and Class A Shares as at January 15, 2021 amounting to \$3,979,075. Subsequent to the 2022 year end, on January 31, 2023 the Company paid a regular cash dividend of \$0.11 per share on the issued and outstanding Common and Class A Shares as at January 17, 2023 amounting to \$4,553,485.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2022 and December 31, 2021

12. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 22, 2023.

Notes

URBANA
CORPORATION

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