URBANA
CORPORATION

ANNUAL REPORT **2009**

Corporate Information

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TRANSFER AGENT & REGISTRAR:

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AUDITORS: DELOITTE & TOUCHE LLP

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INDEPENDENT REVIEW COMMITTEE:

Robert Guilday

H. Clifford Hatch Jr.

Sharon Kent

DIRECTORS & OFFICERS OF THE COMPANY:

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

John R. Campbell, Q.C.
Director and
Vice-President
Toronto, Ontario

Bethann Colle
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

George Mencke
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer

Harry Liu
Corporate Secretary

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

Website: www.urbanacorp.com

Year-End Report To Shareholders

For the year ended December 31, 2009

The past year was essentially flat for Urbana Corporation ("Urbana"). The financial industry debacle of 2008 was compounded in the exchange space by existing low barriers to entry for numerous, low cost, new trading venues which resulted in hyper competition for most stock markets. The resulting squeeze on volumes and margins was evident within both Europe and North America.

Emerging markets, such as India, still have enough barriers to entry to contain the destructive influence of institutions effectively re-mutualizing the exchange industry through their use of proprietary Alternative Trading Systems.

The good news about the 2008 financial crisis is that governments and regulators increasingly recognize the importance of neutral, transparent and orderly trading environments such as established exchanges. The final nature of any financial "reform" emanating from Washington is still a matter of conjecture, but it is reasonable to assume it will have some benefit to major exchange entities.

Further, many exchanges have over the past two years invested heavily in technology and broadened their product offerings. The New York Stock Exchange ("NYX") is a clear example in both cases.

NYX shares, a major Urbana holding, had a slightly negative performance over the year, however, after the year's end analysts began to view the company in a positive light, with consensus price targets ranging from $35 to $38.

Another major holding for Urbana is the Bombay Stock Exchange ("BSE"). A new and aggressive management team has dramatically improved the atmosphere and confidence within that organization. Here too, broader product offerings (horizontal integration), better pricing and improved technology are being combined with efforts at vertical integration which encompass everything from client order entry systems to trade settlements.

Although the BSE is still weaker than its major competitor, we are of the opinion this organization will provide better upside leverage from its current valuation and also that it will be the first Indian exchange to proceed with an Initial Public Offering ("IPO").

Urbana's largest holding is its 25 seats on the Chicago Board Options Exchange ("CBOE"), the largest options exchange in the world. The performance of this position offset all the market declines in the rest of the portfolio with a move from $1,750,000 per seat to $2,700,000 over the year.

Plans are now underway for an IPO before the end of June. The process is complicated and competition is now heating up in the options environment. Nevertheless, we anticipate further gains from these levels.

Management hopes to reduce the number of exchange positions held by Urbana, as some of our minor holdings have not performed as desired.

Our focus will still remain within the financial sector for the foreseeable future. We are also pursuing the acquisition of positions in securities exchanges within the emerging economies.

Given the rapid monetary expansion occurring over the past few years, in great measure to counter the adverse effects of the financial crisis, it is our opinion that organizations which manage, invest, trade and handle funds will grow at proportionately greater rates than many other sectors.

Thomas S. Caldwell, C.M.
Director and President

Annual Management Report Of Fund Performance

For the year ended December 31, 2009

This annual management report of fund performance follows the disclosure requirements of the Canadian Securities Administrators' National Instrument 81-106. It contains financial highlights but does not contain the complete annual financial statements of Urbana Corporation ("Urbana"). You can get a copy of Urbana's annual financial statements at your request, and 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.

Securityholders may also contact us using one of these methods to request a copy of Urbana's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Forward-looking Statements

Certain statements included in this report may constitute forward-looking statements, including those identified by the expressions "believe", "anticipate", "expect" or similar expressions to the extent they relate to Urbana or its investment manager, Caldwell Investment Management Ltd. Such forward-looking statements are not historical facts but reflect Urbana's or the Investment Manager's current expectations regarding future results or events. Such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Readers are cautioned to consider these and other factors carefully when making decisions with respect to Urbana and not place undue reliance on forward-looking statements. Unless required by applicable law, Urbana does not undertake any obligation to update publicly or to revise any of such forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements included or incorporated by reference in this report include statements with respect to:

- *Urbana's investment objective and strategies*
- *Changes in accounting policy*

Management Discussion Of Fund Performance

INVESTMENT OBJECTIVE AND STRATEGIES

For the foreseeable future, the strategy of Urbana is to continue to search for and acquire investments for income and capital appreciation within the financial services industry. At the present time, Urbana has focused its efforts on acquiring interests in exchange properties for long-term gains. The management of Urbana ("Management") has identified securities and derivatives exchange properties around the world as attractive long-term investments due to the trend of demutualization in, and consolidation of, the exchange industry. Management believes that the current investing environment provides an attractive opportunity to acquire additional investments in the exchange industry. See "Current Global Exchange Market Outlook" below. However, Urbana maintains the flexibility to invest across a wide spectrum of investment possibilities in other industries. Other areas of opportunity, such as publicly or privately traded securities in other sectors or other assets, may be pursued from time to time, at the discretion of the Investment Manager. In order to minimize the impact of taxes on Urbana, to add to future performance and to expand its portfolio holdings, Urbana may use leverage, which will not exceed 100% of Urbana's NAV. As at December 31, 2009, Urbana employed no leverage.

Global Exchange Industry

Globally, exchanges fulfill a number of different functions, including transparency and liquidity, to the financial markets. Capital raising and secondary-market pricing remain the key function for the securities and securities options segments of exchanges globally. Management believes the performance of the global exchange market is an accurate proxy for domestic and international economic indicators. Along with central banks, exchanges have remained the most important provider of liquidity to the global financial system.

In the past few years, securities and derivative exchanges have themselves become listed entities. The creation of publicly-traded securities and derivatives exchanges is still a relatively new phenomenon. While some exchanges have transformed themselves into public companies, the industry still includes numerous private companies and mutually-owned, not-for-profit entities. In addition, in recent years there have been several mergers of stock exchanges (such as the merger of NYSE and Euronext in April 2007) and examples of cross-ownership between international exchanges seeking to form alliances. Management anticipates that the consolidation trend will continue and that additional mergers are likely to take place over the coming years, and believes that this may allow the Investment Manager to leverage its demonstrated expertise in this sector.

Current Global Exchange Market Outlook

Management believes that the present investing environment presents a good opportunity to acquire further investments in the exchange sector. In particular:

- Revenue Growth and Fixed Cost Basis: It is Management's belief that exchanges operate almost entirely on a fixed cost basis, which can result in increased exchange earnings as financial markets recover.
- Limited Exposure to Credit: Banks, insurance companies and many other financial institutions have direct exposure to the global debt markets as creditors and as owners of credit-related assets. In contrast, exchanges provide an agency service that does not expose them to the attendant risks involved with acting as creditors in the normal course of their business; provided that those exchanges that also own and operate clearing functions have very short term credit exposure to their settlement counterparties.

Current Global Exchange Market Outlook (continued)

- Increased Transparency: Management also believes that there will be a move by regulators toward greater transparency in over the counter trading of cash, equity and derivative securities in the wake of the recent financial turmoil. It is Management's belief that stock and derivative exchanges will benefit from such regulatory initiative.
- Consolidation Efficiencies: Management is of the view that there are significant efficiencies arising from consolidation. For example, Management has observed that NYX's acquisition of AMEX resulted in significant cost savings through the elimination of overlapping functionality such as duplicate trading floors and technology.
- Diverse Revenue Streams: Management believes that the diverse revenue streams of exchanges, such as fees from trading, data services, listing, clearing and technology will ultimately be a competitive advantage over alternative trading systems, particularly if margins continue to decrease in relation to cash equity trading.

RISK

There were no material changes to Urbana's investment style over the financial year that affected the overall level of risk associated with investment in the corporation. The suitability and investor risk tolerance remains unchanged over the years as that of an aggressive growth vehicle with concentrated investment positions. The risks associated with investing in Urbana are described in Urbana's short form prospectus dated November 2, 2009 under the heading of "Risk Factors".

RESULTS OF OPERATIONS

Dividend income in 2009 was $3,646,573 as compared to $3,042,855 in 2008. The increase was due mainly to the increased dividends paid on the NYX Euronext shares. Seat rental income increased from $2,548,751 in 2008 to $3,073,947 in 2009 because of two additional Chicago Board of Options Exchange ("CBOE") seats acquired during the year and also because the seats were rented out at a higher rent per seat. Legal expenses and shareholder reporting costs were $79,077 and $74,836 respectively in 2009 which were significantly less than those in 2008 ($377,512 and $201,956 respectively). Investment management fees were $2,231,834 in 2009, which was $964,412 less than that in 2008 due to the lower net assets. All other expenses in 2009 were similar to those in 2008. In 2009, Urbana's operations resulted in a net loss of $1,361,616 ($1,639,952 before net unrealized loss on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net loss of $103,895,147 ($4,281,027 before the specified items) in 2008.

Net shareholders' equity increased from $158,402,330 at the end of 2008 to $174,679,405 at the end of 2009, an increase of $16,277,075. This increase was mainly the result of additional capital raised in a short form prospectus offering (see "Addition of Capital" below"). Net Assets (as described in note 11 to the audited annual financial statements) per common share was $2.00 as at December 31, 2009 compared to $2.05 as at December 31, 2008, representing a decrease of 2.44%. The Net Assets per share for the Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, is the same as the Net Assets per common share. In 2009 the changes to Urbana's investment portfolio are: (1) the acquisition of two additional CBOE seats and (2) the sale of the investments in Hong Kong Exchange & Clearing Ltd., Johannesburg Stock Exchange Ltd., London Stock Exchange Group, Osaka Securities Exchange Co. Ltd. and TMX Group Inc. (see "Acquisitions and Dispositions of Investments" below).

The total value of Urbana's private exchange investments increased from $110,572,398 at the end of 2008 to $122,561,823 at the end of 2009, an increase of $11,989,425. The prime reason for the increase was the increase in the value of the CBOE seats which increased from $2,160,381 per seat at the end of 2008 to $2,830,549 per seat at the end of 2009 (total value of $47,528,373 with 22 seats at the end of 2008 compared to $67,933,178 with 24 seats at the end of 2009) and the addition of two CBOE seats at a total cost of $4,932,185. The increase in the value of the CBOE investment was partially offset by a total decrease of approximately $8.4 million in other private exchange investments. In 2009 Urbana disposed most of its public exchange investments, retaining only its investment in the NYSE Euronext and part of its investment in the TMX Group Inc. The value of its investment in the NYSE Euronext decreased by $12,645,091 (from $58,634,356 at the end of 2008 to $45,989,265 at the end of 2009) while the value the TMX Group Inc. shares increased from $25.71 per share to $33.11 per share.

Addition of Capital

On November 10, 2009, Urbana completed a short form prospectus offering (the "Offering") of 10,526,320 units (the "Units") at a price of $1.90 per unit for gross proceeds of $20,000,008. Each Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a "Series B Warrant"). Each Series B Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of $2.50 on or before November 10, 2011. The Units separated into Non-Voting Class A Shares and Series B Warrants immediately upon the completion of the Offering. As a result of the completion of the Offering, Urbana issued 10,526,320 Non-Voting Class A Shares and 5,263,160 Series B Warrants. In connection with the Offering, the syndicate of agents for the Offering (the "Agents") was granted the option to purchase (the "Over-Allotment Option"), within 30 days of the completion of the Offering, up to an additional 1,578,948 Non-Voting Class A Shares at a price of $1.85 per share and up to an additional 789,474 Series B Warrants at a price of $0.10 per Series B Warrant. On November 30, 2009, the Agents partially exercised the Over-Allotment Option and as a result, Urbana issued an additional 82,590 Series B Warrants and no additional Non-Voting Class A Shares. During 2009, no warrants to purchase Non-Voting Class A Shares were exercised.

Normal Course Issuer Bid

On August 26, 2009 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,650,723 of its Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 28, 2009, and will terminate on the earlier of August 27, 2010, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares shall be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB shall be cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,340,000 Non-Voting Class A Shares, being 2% of the 67,000,000 issued and outstanding Non-Voting Class A Shares as at August 26, 2009. As at December 31, 2009, Urbana has not purchased any shares pursuant to the NCIB. During the twelve months immediately preceding the NCIB, Urbana purchased 1,336,582 Non-Voting Class A Shares pursuant to a previous notice of intention to conduct a normal course issuer bid accepted by the TSX on August 26, 2008. These shares were purchased on the open market at an average purchase price per Non-Voting Class A Share of $1.29.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with Bank of Montreal (the 'Bank'). In July 2009 the loan facility agreement was amended to allow Urbana to borrow up to $15,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 2.75%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets and allows Urbana to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2009, the outstanding balance of the loan was nil (2008 - $11,100,000).

Acquisitions and Dispositions of Investments

During 2009, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions Investment	Quantity	Type of Securities	Cost
Chicago Board Option Exchange	2	seats	$ 4,932,185

Dispositions Investment	Quantity	Type of Securities	Total Proceeds
Hong Kong Exchange & Clearing Ltd.	80,000	shares	$ 848,72
Johannesburg Stock Exchange Ltd.	56,000	shares	288,249
London Stock Exchange Group	132,000	shares	1,101,033
Osaka Securities Exchange Co. Ltd.	200	shares	1,021,216
TMX Group Inc.	30,791	shares	968,180

Management Discussion Of Fund Performance

For the year ended December 31, 2009

RECENT DEVELOPMENTS

Changes in Accounting Policy

In January 2009 the Canadian Accounting Standards Board's Emerging Issues Committee issued Abstract No. 173, Credit Risk and the Fire Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 requires that an entity's own credit risk and the risk of the counterparty should be taken 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 determined that the fair values ascribed to the financial assets and financial liabilities in Urbana's financial statements incorporate appropriate levels of credit risk.

In June 2009 the Canadian Accounting Standards Board approved amendments to the Canadian Institute of Chartered Accountants Handbook section 3862 "Financial Instruments – Disclosures". The amendments require entities to classify fair value measurements based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined in the standard). The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009.

The Canadian Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards ("IFRS") on or by January 1, 2011. IFRS will replace Canadian GAAP for publicly accountable enterprises, which include investment funds. The objective of the change is to move towards the use of a single set of world-wide accounting standards, thereby facilitating and improving capital flows, as well as improving financial reporting and transparency. Accordingly, Urbana will adopt IFRS for its fiscal period beginning January 1, 2011. In order to prepare for the conversion to IFRS, management has performed a preliminary assessment of the impact of significant accounting differences between IFRS and Canadian GAAP. Based on this review, management expects no significant impact to the financial statements from the changeover to IFRS.

RELATED PARTY TRANSACTIONS

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of the Investment Manager, Caldwell Investment Management Ltd. ("CIM"). In 2009 and 2008, investment management fees of $2,231,834 and $3,196,246 respectively were paid to CIM. For the year ended December 31, 2009, CIM absorbed no expenditures relating to Urbana (December 31, 2008 - $351,845). As at December 31, 2009 there was an investment management fee payable of $608,920 (December 31, 2008 – $630,826) to CIM. There were no other fees payable to related parties as at December 31, 2009.

Subsequent to its establishment, the Independent Investment Review Committee has made a recommendation to Urbana and CIM to execute portfolio transactions through Caldwell Securities Ltd, a sister company of CIM and a registered broker and investment dealer, provided that such transactions are executed on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to CIM.

Financial Highlights

For the year ended December 31, 2009

The following tables show selected key financial information about Urbana and are intended to help you understand Urbana's financial performance for the past five years.

Urbana's Net Assets per Share(1,2&3)

	2009	**2008**	**2007**	**2006**	**2005**
Net assets, beginning of year	$2.05	$3.37	$2.68	$1.26	$0.71
Total Investment income for the year	0.08	0.07	0.06	0.04	0.04
Total expenses for the year, including future taxes(4)	(0.06)	(0.08)*	(0.13)*	(0.37)	(0.13)
Realized gain (loss) for the year	(0.05)	(0.05)	0.06	0.02	(0.02)
Unrealized gain (loss) for the year	(0.00)	(1.52)	0.31	1.78	0.66
Non-controlling portion of loss (income)	0.02	0.00	0.03	-	-
Distributions	nil	nil	nil	nil	nil
Net assets, end of year(5)	2.00	2.05	3.37	2.69	1.26

**Revised from 2008 annual MRFP.*

(1) This information is derived from Urbana's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value calculated for fund valuation purposes due to differences in valuation techniques as described in note 11 to the financial statements.

(2) Net assets are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(3) The net assets for the periods beginning 2007 and onward are shown as Net Assets and the net assets for all prior periods are shown as Net Asset Values. (see note (1) above)

(4) Total expenses include future taxes only where future taxes are a liability. Where future taxes are an asset (i.e. a future tax credit), total expenses do not include future taxes.

(5) This is not a reconciliation of beginning and ending net assets per share.

Ratios and Supplemental Data

	2009	**2008**	**2007**	**2006**	**2005**
Total net asset value (000's)(1)	$174,683	$158,821	$262,841	$26,917	$11,334
Shares outstanding(1)	87,526,320	77,100,000	78,061,518	10,000,000	9,000,000
Management expense ratio excluding share issuance costs(2)	2.94%	2.77%	2.99%	4.60%	3.25%
Management expense ratio including share issuance costs	4.32%	2.77%	10.50%	4.93%	3.25%
Management expense ratio excluding share issuance costs before waivers or absorptions	2.94%	3.03%	3.37%	4.60%	3.25%

Financial Highlights

For the year ended December 31, 2009

Ratios and Supplemental Data (cont.)

	2009	2008	2007	2006	2005
Portfolio turnover ratio[(3)]	2.23%	5.22%	3.00%	10.17%	8.03%
Trading expense ratio[(4)]	0.00%	0.08%	0.00%	0.00%	0.18%
Net asset value per share	$2.00	$2.06	$3.37	$2.69	$1.26
Closing market price (common)	$1.51	$1.51	$5.40	$3.00	$2.00
Closing market price (Class A)	$1.48	$1.35	$5.15	-	-

(1) This information is provided as at December 31 of the year shown.

(2) Management Expense Ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of weekly average net asset value during the period.

(3) Urbana's portfolio turnover rate indicates how actively the corporation's investment manager manages Urbana's portfolio securities investments. A portfolio turnover rate of 100% is equivalent to the corporation buying and selling all of the securities in the portfolio once in the course of the year. The higher a company's portfolio turnover rate in a year, the greater the trading costs payable by the company in the year, and the greater the chance that the company will receive taxable gains or losses in the year. There is not necessarily a relationship between a high turnover rate and the performance of the investment portfolio.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net asset value during the period.

MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with an investment management agreement with CIM. Investment management fees accrue on the basis of 1.50% per annum of the market value of the equity securities in Urbana's investment portfolio and 0.50% of the market value of the fixed income securities in the corporation's investment portfolio. During the year ended December 31, 2009, CIM earned $2,231,834 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

Past Performance

For the year ended December 31, 2009

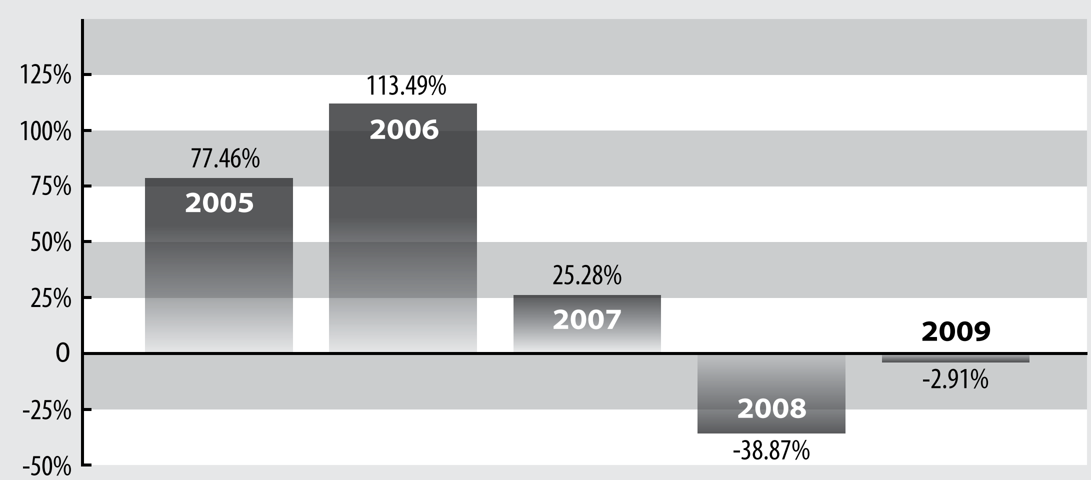
The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The following bar chart shows the net asset value performance of Urbana's common shares for the financial years indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year based on the net asset value (NAV) per share of Urbana. All net asset value returns are calculated based on Urbana's Net Asset Values (as opposed to Net Assets).

Urbana's Non-Voting Class A Shares were first issued on January 11, 2007. The Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, have the same NAV per share as the common shares.

Urbana Corporation (NAV per share)



Past Performance
For the year ended December 31, 2009

ANNUAL COMPOUND RETURNS

The following table shows Urbana's historical returns on its common shares for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2009), compared with the S&P/TSX Composite Index.

	1 year	3 year	5 year and since inception(1)
Urbana Corporation (NAV)	-2.91%	-9.41%	23.01%
Urbana Corporation Common Shares (Market)	0.00%	-20.45%	7.13%
S&P/TSX Composite Index(2)	30.69%	-3.10%	4.90%

The following table shows Urbana's historical returns on its Non-Voting Class A Shares for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2009), compared with the S&P/TSX Composite Index.

	1 year	since inception(1)
Urbana Corporation (NAV)	-2.91%	-11.96%
Urbana Corporation Class A Shares (Market)	9.63%	-21.17%
S&P/TSX Composite Index(2)	30.69%	-2.13%

(1) Inception date of common shares is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund. Inception date of the Non-Voting Class A Share is January 11, 2007.

(2) The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

Summary Of Investment Portfolio

(non-consolidated) As at December 31, 2009

The following data is extracted from Urbana's financial statements:

Number of Shares/Units/Seats	Description	Cost	Fair Value	% Of Portfolio Fair Value	% Of Total Net Asset Value
24	Chicago Board Options Exchange	$ 63,747,049	$ 67,933,178	40.12%	38.89%
1,735,981	NYSE Euronext	116,322,041	45,989,265	27.16%	26.33%
182,985	Bombay Stock Exchange (shares held by Caldwell India Holdings Inc.)	25,774,017	22,036,435	13.02%	12.62%
169,341	Budapest Stock Exchange	4,761,242	7,641,271	4.51%	4.37%
180,000	TMX Group	7,058,590	5,959,800	2.79%	3.41%
41	Minneapolis Grain Exchange	10,146,476	4,728,058	3.52%	2.71%
9	Kansas City Board of Trade	5,287,915	3,396,654	2.01%	1.94%
1,250,000	CNSX Markets Inc.[1]	1,250,000	1,250,000	0.74%	0.72%
54	OneChicago LLC	3,175,830	990,603	0.59%	0.57%
24,683	Bermuda Stock Exchange	724,589	307,592	0.18%	0.18%
50,000	Bulgarian Stock Exchange	533,099	365,893	0.22%	0.21%
	Cash and Cash Equivalents	8,714,341	8,714,341	5.15%	4.99%
	Total	**247,495,189**	**169,313,090**		

[1]CNSX Markets Inc. – formerly Canadian Quotation and Trading System Inc. Urbana also holds 312,500 class A shares of CNSX Markets Inc. The shares have nil market value and will be cancelled at the time the debenture matures.

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

URBANA CORPORATION

2009

Consolidated Financial Statements

December 31, 2009 and 2008

Contents

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Auditors' Report

To The Shareholders Of Urbana Corporation (The "Company")

We have audited the consolidated statements of net assets and of investment portfolio of the Company as at December 31, 2009 and 2008 and the consolidated statements of operations, changes in net assets and deficit and of cash flows of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations, changes in net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 26, 2010

Member of
Deloitte Touche Tohmatsu

Urbana Corporation

Consolidated statements of net assets
as at December 31, 2009 and 2008

	2009	2008
	$	$
Assets		
Cash and cash equivalents	1,756,696	1,477,180
Investments, at fair value	183,760,782	179,248,111
Sundry receivables	3,709	44,674
Prepaid expenses	14,132	5,699
Office equipment	-	1,799
Deposit on future investments	685,381	335,349
Future income taxes (note 12)	5,000,000	6,400,000
	191,220,700	187,512,812
Liabilities		
Loan payable (note 5)	-	11,100,000
Accounts payable and accrued liabilities	1,161,118	816,786
	1,161,118	11,916,786
Non-controlling interest (note 4)	15,380,177	17,193,696
Shareholders' equity		
Share capital (note 6)	230,739,519	215,915,646
Contributed surplus (note 7)	17,733,587	14,918,769
Deficit	(73,793,701)	(72,432,085)
Shareholders’ equity representing net assets	174,679,405	158,402,330
Total liabilities and shareholders’ equity	191,220,700	187,512,812
Number of shares outstanding (note 6)	87,526,320	77,100,000
Net assets per share - basic and diluted	2.00	2.05

See accompanying notes

Approved by the Board

Director

Director

Urbana Corporation

Consolidated statements of operations
as at December 31, 2009 and 2008

	2009	2008
	$	$
Gains/losses		
Loss on sale of investments	(3,669,933)	(4,158,084)
Investment income		
Dividends	3,646,573	3,042,855
Seat rental income	3,073,947	2,548,751
Interest income	58,105	49,514
(Loss) gain on foreign exchange	(9,631)	49,143
	6,768,994	5,690,263
Expenses (note 10)		
Investment management fees	2,231,834	3,196,246
Foreign withholding taxes	1,342,871	1,134,992
Interest	190,015	463,009
Administrative	439,356	451,568
Legal fees	79,077	377,512
Shareholder reporting costs	74,836	201,956
Transaction costs	-	166,098
Audit fees	94,651	114,295
Insurance	30,145	31,370
Director fees	20,000	20,900
Independent Review Committee fees	5,650	5,089
Capital financing fees	229,074	-
Amortization	277	238
License fees	1,228	1,778
Expenses absorbed by Manager	-	(351,845)
	4,739,013	5,813,206
Net loss before net unrealized (loss) gain on foreign exchange and investments, non-controlling interest and income taxes	(1,639,952)	(4,281,027)
Unrealized loss on foreign exchange and investments	(135,183)	(118,444,052)
Net loss before non-controlling interest and income taxes	(1,775,135)	(122,725,079)
Non-controlling interest portion of loss (gain)	1,813,519)	(370,068)
Net income (loss) before income taxes	38,384	(123,095,147)
Provision for income taxes (note 12)		
Current	-	-
Future	1,400,000	(19,200,000)
	1,400,000	(19,200,000)
Total results of operations for the year	(1,361,616)	(103,895,147)
Basic and diluted earnings per share (note 8)	(0.02)	(1.33)
Weighted average number of shares outstanding	79,792,241	77,884,674

See accompanying notes

Urbana Corporation

Consolidated statements of changes in net assets and deficit
for the years ended December 31, 2009 and 2008

	2009	2008
	$	$
Net assets		
Net assets, beginning of year	158,402,330	262,841,278
Operating activities		
Total results of operations for the year	(1,361,616)	(103,895,147)
Capital transactions (Notes 6 and 7)		
Issuance of shares (net of expenses)	15,103,919	-
Exercise of warrants	-	1,242,910
Normal course issuer bid redemption payment	(150,266)	(1,575,291)
Net impact of exercise/issuance of warrants on contributed surplus	2,685,038	(211,420)
Total capital transactions	17,638,691	(543,801)
Net assets, end of year	174,679,405	158,402,330
Retained (deficit)		
Retained (deficit) earnings, beginning of year	(72,432,085)	31,463,062
Total results of operations for the year	(1,361,616)	(103,895,147)
Deficit, end of year	(73,793,701)	(72,432,085)

See accompanying notes

Urbana Corporation
Consolidated statements of cash flows
as at December 31, 2009 and 2008

	2009	2008
	$	$
Operating activities		
Total results of operations for the year	(1,361,616)	(103,895,147)
Items not affecting cash		
Loss on sale of investments	3,669,933	4,158,084
Unrealized loss on foreign exchange and investments	135,183	118,444,052
Non-controlling interest portion of loss (gain)	(1,813,519)	370,068
Provision for future income taxes	1,400,000	(19,200,000)
Amortization and write-off	2,076	238
	2,032,057	(122,705)
Net change in non-cash working capital items		
Sundry receivables	40,965	149,240
Prepaid expenses	(8,433)	31,581
Accounts payable and accrued liabilities	344,332	(128,268)
	376,864	52,553
Cash flow from (used in) operating activities	2,408,921	(70,152)
Financing activities		
Issuance of loan payable	2,500,000	11,100,000
Repayment of loan payable	(13,600,000)	-
Issuance of shares (net of expenses)	15,103,919	-
Issuance of share warrants - contributed surplus	2,685,038	-
Exercise of warrants	-	1,031,490
Normal course issuer bid redemptions	(150,266)	(1,575,291)
Cash flow from financing activities	6,538,691	10,556,199
Investing activities		
Purchases of investments	(45,229,244)	(27,958,450)
Proceeds on sale of investments	4,619,958	11,155,327
Proceeds on maturity of investments	32,291,222	7,575,590
Deposits on future investments	(350,032)	-
Cash flow used in operating activities	(8,668,096)	(9,227,533)
Net change in cash during the year	279,516	1,258,514
Cash and cash equivalents, beginning of year	1,477,180	218,666
Cash and cash equivalents, end of year	1,756,696	1,477,180
Supplemental disclosure		
Amount of interest paid	190,015	463,009

See accompanying notes

Urbana Corporation

Consolidated statements of investment portfolio
as at December 31, 2009

Number of Share	Description	Cost	Fair value
		$	$
	Privately owned entities		
24,683	Bermuda Stock Exchange	533,099	365,893
169,341	Budapest Stock Exchange	4,761,242	7,641,271
50,000	Bulgarian Stock Exchange	724,589	307,592
312,500	CNSX Markets Inc. Class A*	-	-
308,888	Bombay Stock Exchange (shares held by CIHI)	43,507,793	37,198,574
24	Chicago Board Options Exchange (seats)	63,747,049	67,933,178
9	Kansas City Board of Trade (seats)	5,287,915	3,396,654
41	Minneapolis Grain Exchange (seats)	10,146,476	4,728,058
54	OneChicago Stock Futures Exchange (seats)	3,175,830	990,603
		131,883,993	122,561,823
	Publicly traded sercurities		
1,735,981	NYSE Euronext	116,322,041	45,989,265
180,000	TMX Group Inc.	7,058,590	5,959,800
		123,380,631	51,949,065
	Other		
72	Resource investment	1,094,038	1
1,250,000	CNSX Markets Inc. (Convertible debenture with no interest. Convertible into shares at $4 per share)	1,250,000	1,250,000
	Fixed income		
8,000,000	Cda T Bill 07 Jan 2010	7,999,893	7,999,893
		265,608,555	183,760,782

* The company holds 312,500 class A shares of CNSX Market Inc. The shares have nil fair value and will be cancelled at the time the debenture is converted.

See accompanying notes

Urbana Corporation

Consolidated statements of investment portfolio
as at December 31, 2008

Number of Share	Description	Cost	Fair value
	Privately owned entities		
24,683	Bermuda Stock Exchange	533,099	639,224
169,341	Budapest Stock Exchange	4,761,242	8,717,755
50,000	Bulgarian Stock Exchange	724,589	772,207
312,500	Canadian Trading and Quotation System Inc. Cl. A	-	-
308,888	Bombay Stock Exchange (shares held by CIHI)	43,507,793	41,792,447
22	Chicago Board Options Exchange (seats)	58,814,864	47,528,373
9	Kansas City Board of Trade (seats)	5,287,915	3,666,465
41	Minneapolis Grain Exchange (seats)	10,146,476	5 ,567,595
54	OneChicago Stock Futures Exchange (seats)	3,175,830	1,888,332
		126,951,808	110,572,398
	Publicly traded securities		
80,000	Hong Kong Exchange & Clearing Ltd.	1,026,297	937,877
56,000	Johannesburg Stock Exchange Ltd.	487,160	274,434
132,000	London Stock Exchange Group	4,301,431	1,194,865
1,735,981	NYSE Euronext	116,322,041	58,634,356
200	Osaka Securities Exchange Co. Ltd.	1,261,887	1,078,570
210,791	TMX Group Inc.	8,266,039	5,305,610
		131,664,855	67,425,712
	Other		
72	Resource claims - Urban Township	1,094,038	1
1,250,000	Canadian Trading and Quotation System Inc.	1,250,000	1,250,000
		260,960,701	179,248,111

Urbana Corporation ("Urbana" or the "Company") is an investment company originally incorporated as a mineral exploration company named Macho River Gold Mines Limited under the *Companies Act* (Ontario) on August 25, 1947. A change of business application from a mining issuer to an investment issuer was approved by the TSX Venture Exchange in July, 2005. The Company is now considered a "non-redeemable investment fund" and an "investment fund" for the purposes of applicable securities laws and is listed on the Toronto Stock Exchange ("TSX").

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified securities exchange properties as attractive long-term investments due to the demutualization and consolidation of the exchange industry.

1. Summary of significant accounting policies

These consolidated financial statements of Urbana have been prepared by management in with Canadian generally accepted accounting principles ("GAAP"). The following is summary of significant accounting policies followed by the Company in the preparation of the financial statements.

Use of estimates

The preparation of financial statements in conformity with GAAP 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 reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to the valuation of certain investments.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its 59.24% owned subsidiary, Caldwell India Holdings Inc. ("CIHI"), and its wholly owned subsidiary, Urbana Mauritius Inc. ("UMI"). All inter-company transactions have been eliminated.

Adoption of new accounting standards

i) Amendments to Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862

In June 2009 the Canadian Accounting Standards Board ("AcSB") approved amendments to CICA Handbook Section 3862 "Financial Instruments – Disclosures". The amendments require entities to classify fair value measurements 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;

1. Summary of significant accounting policies (continued)

Adoption of new accounting standards (continued)

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

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

The new disclosures are required for annual financial statements for fiscal years ending after September 30, 2009. Refer to Note 2 for the classification of the fair value measurements.

ii) EIC-173

In January 2009, the CICA's Emerging Issues Committee issued Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities ("EIC-173"). EIC-173 requires that an entity's own credit risk and the risk of the counterparty should be taken 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 determined that the fair values ascribed to the financial assets and financial liabilities in the Company's financial statements incorporate appropriate levels of credit risk.

Capital management

The CICA Handbook Section 1535 Capital Disclosures requires the disclosure of information that enables users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. (See note 3)

Foreign exchange

The monetary assets and liabilities of the Company's integrated foreign subsidiary are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at average exchange rates for the year. Foreign exchange gains and losses are included in the statement of operations for the year.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

1. **Summary of significant accounting policies** (continued)

Financial instruments

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

The carrying values of cash, sundry receivables and accounts payable and accrued liabilities approximate their fair values due to their short-term maturities. The deposit on future investments is carried at fair value. The carrying value of loan payable approximates its fair value as the interest rate on the loan is variable. Unrealized gains and losses on investments are recognized in the consolidated statement of operations.

Valuation of investments

Investments are valued at fair value. The securities which are actively traded are valued at the closing bid price on the recognized stock exchange on which the securities are listed or principally traded.

The Chicago Board Options Exchange ("CBOE"), the Minneapolis Grain Exchange ("MGEX") and the Kansas City Board of Trade ("KCBT") are valued based on the current price of a seat, as quoted by the respective exchanges.

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

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

There are inherent uncertainties in the process of valuing investments for which there are no published markets. 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.

1. **Summary of significant accounting policies** (continued)

Resource properties

Resource properties and related expenditures are recorded at cost, net of incidental revenues generated from the particular mineral properties. These net costs are deferred until the mineral properties to which they relate are placed into production, sold or abandoned.

General exploration costs not specifically relating to a mineral property are expensed as incurred.

As per Accounting Guideline 11 in the Canadian Institute of Chartered Accountant Handbook, when there has been a delay in development activity that extends beyond three years, there is a presumption that a write-down of capitalization costs is necessary. In 2005, management determined that due to the lack of recent development activity for the resource properties, the capitalized costs of the resource properties would be written down to a nominal value.

Office equipment

Office equipment is recorded at cost and amortized at 20% per annum using the declining balance method of accounting.

Future income taxes

The Company accounts for income taxes using the liability method, whereby future 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 year is the tax payable for the year and any change during the year in the future tax assets and liabilities. A valuation allowance is provided to the extent that it is more likely than not that future tax assets will not 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. Rental revenue from exchange memberships is recognized over the term of the lease contract, on a straight-line basis.

Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are calculated on an average cost basis.

Earnings per share

Basic earnings per share is computed by dividing the total results of operations for the year by

1. **Summary of significant accounting policies** (continued)

Earnings per share (continued)

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

2. **Fair value measurement**

The following is a summary of the Company's investments categorized in the fair value hierarchy:

	Level 1	Level 2	Level 3	2009 Total
	$	$	$	$
Cash Equivalents	9,756,589	-	-	9,756,589
Publicly traded securities	51,949,065	-	-	51,949,065
Privately owned entities	-	76,057,890	46,503,933	122,561,823
Other	-	-	1,250,001	1,250,001
	61,705,654	76,057,890	47,753,934	185,517,478

During the year ended December 31, 2009 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Privately owned entities	Other	Total
	$	$	$
Beginning balance	53,809,965	1,250,001	55,059,966
Change in unrealized gains (losses)	(7,306,032)	-	(7,306,032)
Ending balance	46,503,933	1,250,001	47,753,934
Total change in unrealized gains (losses) during the year for assets held at December 31, 2009	-	-	41,760

There were no purchases, sales and transfers into/out of Level 3 during the year. The potential impact of using reasonable possible alternative assumptions for valuing the two biggest holdings that are classified as Level 3 financial instruments would increase or decrease their fair value by up to $1.8 million. The major assumption relating to this sensitivity calculation relates to the multiple used to value the entities based on earnings and the increase/decrease was calculated based on increasing the multiple by plus/minus one.

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

3. **Financial instruments and risk management** (continued)

professional, experienced portfolio advisors, and through daily monitoring of the Company's position and market events.

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at December 31, 2009 and 2008, the Company had no significant investments in debt instruments and/or derivatives. Accordingly, the Company is not subject to significant amounts of credit risk.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligation when due. The Company's obligations are due within one year. As at December 31, 2009, the Company had a demand loan for $Nil (2008 - $11,100,000). Liquidity risk is managed by investing a portion of its assets in securities that are traded in an active market and can be readily sold, if needed, or by borrowing under its credit facility. The Company's common shares and Class A shares cannot be redeemed by shareholders. The Company endeavours to maintain sufficient liquidity to meet expenses.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investment rises. When the value of the Canadian dollar rises, the value of foreign investment falls.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2009 and 2008.

	2009	2008
Currency	As % of net asset	As % of net asset
	%	%
United States Dollars	69.55	75.06
Indian Rupee	20.93	26.38
Other	4.47	8.40
	94.95	109.84

3. Financial instruments and risk management (continued)

The Company's net assets would decrease or increase by approximately $8,436,402 (2008 - $8,699,456) in response to 5% appreciation or depreciation of the Canadian dollar, with all other variables held constant. In practice, the actual results may differ materially.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as bonds and loans payable. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is a reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

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

	Less than 1 year	1 - 3 years	3 - 5 years	Over 5 years	Total
	$	$	$	$	$
Loan payable					
2009	-		-	-	-
2008	11,100,000	-	-	-	11,100,000
	11,100,000	-	-	-	11,100,000

As at December 31, 2009, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased, respectively, by approximately $Nil (2008 - $90,000). 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 instruments that the Company may hold are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly traded securities. As at December 31, 2009, 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

3. Financial instruments and risk management (continued)

$5,194,907 (2008 - $8,830,277) (approximately 2.92% (2008 - 5.5%) 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 and the proceeds from the bank facility, in accordance with the Company's investment objectives. The Company borrows money to make additional investments. The Company is not subject to any capital requirements imposed by a regulator.

4. Subsidiaries

Caldwell India Holdings Inc.

During 2007, the Company subscribed for 100 common shares, at US$1 per share, for Caldwell India Holdings Inc. ("CIHI"). CIHI then issued 4,051,300 investor shares (non-voting) at US$10 per share of which the Company subscribed for 2,400,000, representing 59.24% of the issued share capital of CIHI. The total proceeds for the CIHI shares issued were $44,843,950, of which the Company provided $26,565,556. The remaining $18,278,394 which is owned by other investment funds managed by Caldwell Investment Management Ltd. was accounted for as a non-controlling interest. CIHI used the proceeds of the share issuance to purchase 308,888 equity shares of the Bombay Stock Exchange.

Non-controlling interest consists of the following:

	2009	2008
	$	$
Non-controlling interest, beginning of year	17,193,696	16,823,628
Share of net (loss) income	(1,813,519)	370,068
Non-controlling interest, end of year	15,380,177	17,193,696

Urbana Mauritius Inc.

In June 2009 Urbana established a wholly owned subsidiary in Mauritius, Urbana Mauritius Inc. ("UMI"), to facilitate future investments in India. As at December 31, 2009, UMI is a shell company with no significant assets or liabilities.

5. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. In July 2009 the loan facility agreement was amended to allow the Company to

5. Loan payable (continued)

borrow up to $15,000,000 from the Bank of Montreal at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 2.75%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets and allows the Company to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2009, the outstanding balance of the loan was $Nil (2008 - $11,100,000) which is the fair value of the loan.

6. Share capital

At December 31, 2009 share capital consists of the following:

		2009		2008
	Number	Amount	Number	Amount
		$		$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, January 1	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued - Non-Voting Class A shares				
Balance, January 1	67,100,000	207,916,753	68,061,518	210,136,844
Issued during the year (a)	10,526,320	15,103,919	275,064	1,242,910
Normal Course Issuer Bid Redemption (b)	(100,000)	(280,046)	(1,236,582)	(3,463,001)
Balance, end of year	77,526,320	222,740,626	67,100,000	207,916,753
Total	87,526,320	230,739,519	77,100,000	215,915,646

a) On November 10, 2009, Urbana completed a short form prospectus offering (the "Offering") of 10,526,320 units (the "Units") at a price of $1.90 per unit for gross proceeds of $20,000,008. Each Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a "Series B Warrant"). Each Series B Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of $2.50 on or before November 10, 2011. The Units separated into Non-Voting Class A Shares and Series B Warrants immediately upon the completion of the

6. **Share capital** (continued)

Offering. As a result of the completion of the Offering, Urbana issued 10,526,320 Non-Voting Class A Shares and 5,263,160 Series B Warrants. In connection with the Offering, the syndicate of agents for the Offering (the "Agents") was granted the option to purchase (the "Over-Allotment Option"), within 30 days of the completion of the Offering, up to an additional 1,578,948 Non-Voting Class A Shares at a price of $1.85 per share and up to an additional 789,474 Series B Warrants at a price of $0.10 per Series B Warrant. On November 30, 2009, the Agents partially exercised the Over-Allotment Option and as a result, Urbana issued an additional 82,590 Series B Warrants and no additional Non-Voting Class A Shares.

b) On August 26, 2009 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,650,723 of its Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 28, 2009, and will terminate on the earlier of August 27, 2010, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX.

The price that Urbana may pay for any such shares shall be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB shall be cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,340,000 Non-Voting Class A Shares, being 2% of the 67,000,000 issued and outstanding Non-Voting Class A Shares as at August 26, 2009. As at December 31, 2009, Urbana has not purchased any shares pursuant to the NCIB. During the twelve months immediately preceding the NCIB, Urbana purchased 1,336,582 Non-Voting Class A Shares pursuant to a previous notice of intention to conduct a normal course issuer bid accepted by the TSX on August 26, 2008. These shares were purchased on the open market at an average purchase price per Non-Voting Class A Share of $1.29.

7. **Contributed surplus**

	2009	2008
	$	$
Balance, beginning of year	14,918,769	13,242,479
November 10, 2009 short form prospectus (Note 6(a))	2,685,038	-
Warrants exercised	-	(211,420)
Normal course issuer bid redemption premium (Note 6(b))	129,780	1,887,710
Balance, end of year	17,733,587	14,918,769

8. Class A purchase warrants

A summary of the Class A warrants are presented below:

	2009		2008	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, January 1	21,366,897	3.75	21,641,961	3.75
Exercised	-	-	(275,064)	3.75
Expired	(21,366,897)	-	-	-
Outstanding, December 31	-	-	21,366,897	3.75

9. Series B Class A purchase warrants

A summary of the Series B warrants are presented below:

	2009	
	Number of warrants	Weighted average exercise price
		$
Outstanding, January 1	-	-
Issued	5,263,160	2.50
Over-allotment	82,590	2.50
Outstanding, December 31	5,345,750	2.50

As at December 31, 2009, the following Series B warrants are outstanding:

	Number of warrants	Exercise price	Expiry date
Class B warrants	5,345,750	2.50	November 10, 2011
	5,345,750	2.50	

10. Related party transactions

Caldwell Financial Ltd ("CFL") and Urbana are under common management. Caldwell Investment Management Ltd. ("CIM") is a subsidiary of CFL.

Under an investment management agreement dated May 1, 2006 between the Company and CIM, the investment manager, CIM, is entitled to an investment management fee equal to 1.5% per annum of the market value of the equity securities in the Company's portfolio and .5% of the market value of the fixed income securities in the Company's portfolio of marketable securities. The investment advisory fees are accrued and paid quarterly in arrears. In the years ended December 31, 2009 and 2008, investment management fees of $2,231,834 and $3,196,246 respectively were earned by CIM. For the year ended December 31, 2009, CIM did not reimburse any expenditures (2008 - $351,845) relating to the Company.

Included in accounts payable and accrued liabilities is investment management fee of $608,920 (2008 -$630,826) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

11. Net asset value and net assets

In calculating net assets ("Net Assets") for financial reporting purposes, the Company must comply with Canadian GAAP and these rules require the use of bid price for securities purchased long and ask price for securities sold short, where the securities are traded in an active market.

The Canadian securities regulatory authorities have published amendments to NI 81-106, in final form, that remove the requirement that net asset value be calculated in accordance with Canadian GAAP (other than in financial statements) effective September 8, 2008. As a result of the amendments, the net asset value of investment funds (other than in financial statements) will continue to be calculated using the fair value of the assets and liabilities of the investment funds, as calculated by applying the close or last trade price to obtain securities values ("Net Asset Value").

As a result, the Company's investment valuations are different for weekly net asset value calculation and for financial statements purposes. The Net Asset Value per share and Net Assets per share is presented as follows:

	Net asset value per share	Net assets per share
	$	$
2009	2.00	2.00
2008	2.06	2.05

12. Income taxes

The Company's provision for income taxes is summarized as follows:

	2009	2008
	$	$
Net income (loss) before income taxes	38,384	(123,095,147)
Expected income taxes rates payable at future rates - 33%	9,596	(40,621,399)
Income tax effect of the following:		
Non-taxable portion of realized capital transactions losses (gains)	458,742	686,084
Non-taxable portion of unrealized capital losses	16,898	20,162,172
Decrease in effective income tax rate	1,668,698	-
Non-controlling interest	(453,380)	-
Other	(300,554)	573,143
	1,400,000	(19,200,000)

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

	2009	2008
	$	$
Resource deductions available in perpetuity	(13,703)	(18,088)
Unrealized capital gains (losses) on investments	(2,540,754)	(2,766,232)
Share issuance costs	(955,364)	(1,732,149)
Tax benefit of capital loss carryforwards	(810,893)	(568,019)
Tax benefit of non-capital loss carryforwards	(733,739)	(1,314,212)
Other	54,453	(1,300)
Total future income tax (asset) liability	(5,000,000)	(6,400,000)

13. Comparative balances

Certain comparative figures have been reclassified to conform to the current year presentation.

14. Future changes in accounting standards

Effective January 1, 2011, the Company will report using IFRS. Comparative statements will also be prepared under IFRS.

Notes

Notes

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CORPORATION

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