

URBANA CORPORATION

2011

2011 ANNUAL REPORT

Corporate Information

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TRANSFER AGENT & REGISTRAR:

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AUDITORS: DELOITTE & TOUCHE LLP

Brookfield Place
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Toronto, Ontario M5J 2V1

INDEPENDENT REVIEW COMMITTEE:

Robert Guilday, Chair
Sharon Kent
F. Michael Walsh

DIRECTORS & OFFICERS OF THE COMPANY:

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

Bethann Colle
Director
Toronto, Ontario

George D. Elliott
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

George M. Mencke
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer

Harry K. Liu
Corporate Secretary

Urbana Corporation's Common Shares and 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, 2011

During 2011, we were compelled to await the outcome of both the proposed merger of Deutsche Boerse (“DB”)/NYSE Euronext (“NYX”) and the varying possibilities for the Toronto Stock Exchange (“TMX”). The DB/NYX merger was vetoed by the European commission and the London Stock Exchange (“LSE”)/TMX merger was voted down as several Canadian financial institutions (the “Maple” Group) presented an alternative proposal. As of this writing, the Maple proposal is still, after many delays, awaiting approval.

It was our opinion that both the DB/NYX and LSE/TMX would have been beneficial for all concerned. Despite the outcomes a “no” is better than a “maybe” and these organizations must now move on with greater efficiencies and achievable acquisition or merger targets.

One of the positives to come out of 2011 has been the change in attitudes of U.S. regulators regarding major exchange venues such as NYX. This is, in part, a result of the May 2010 “flash crash” where market volatility was exacerbated by a myriad of exchange venues, which had previously been encouraged by regulators. This capital market model is now seen as too opaque and in some ways uncontrollable. What form this more accommodating view will take remains to be seen but it will favor NYX to a greater degree than in the past.

We believe the dividend yield and reasonable growth prospects now point to a higher valuation for our large NYX position (41.5% of assets).

The Chicago Board Options Exchange (“CBOE”) had an excellent year in 2011 and has finally regained some upward momentum from its post IPO deadline. Their market volatility option “VIX” has become a star product and is slowly making its way into the broader market on a licensed basis. The growth of the VIX option and their new electronic trading platform for S&P options should give this position (34.5% of assets) some lift in 2012.

Our holding in the Bombay Stock Exchange (“BSE”) has continued to be challenging. The Jalan Report, noted in last year’s Annual Report, remains somewhat of a cloud. The good news is that our efforts and those of others has diffused some of its more offending recommendations (control of pricing, profits, salaries and a prohibition exchange IPOs).

Further, the Securities and Exchange Board of India (“SEBI”) appears to have moved off their blatant favoritism of BSE’s major competitor. The BSE’s management has been working hard to diversify its revenue base into areas related to their primary business, such as post trade settlement and broker education.

Management at the BSE is now indicating a mid 2013 target for their much delayed IPO. This holding represents 15.2% of Urbana’s assets.

In the latter regard, Urbana's management has been very aggressive in using the opportunity presented by the discount from asset value to repurchase and cancel shares under the NCIB process. Each share purchased under the NCIB benefits our remaining investors.

An NCIB allows the purchase of approximately 10% of the outstanding shares per year, under a scheduled and price controlled program. Under the current program, the balance we can purchase up to August 28, 2012 is 3,386,833 shares. To date, we have purchased 13,704,230 shares over the past two years (approximately 18% of "A" shares outstanding) and 3,249,200 shares in the last eight months.

The discount is also seen as an opportunity by several new investor groups who see the share price as an opportunity to participate in the exchange sector on a "levered" basis, for example, \$1.05 market price per share purchases approximately \$1.75 in assets.

Despite the financial crisis of 2011 (sovereign debt concerns impacting and regulators) our shares have recovered approximately 33% from the lows of last year to valuations at the time of this writing.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read "Thomas S. Caldwell". The signature is fluid and cursive, with a large initial 'T' and 'S'.

Thomas S. Caldwell, C.M.
Director, President and CEO
March 12, 2012

URBANA CORPORATION

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE For the year ended December 31, 2011

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 "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:

- *Risk*
- *Results of Operations*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified the financial services sector as attractive for longer term growth.

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 last short form prospectus dated November 2, 2009 under the heading of "Risk Factors".

Results of Operations

Net shareholders' equity decreased from \$148,097,106 at the end of 2010 to \$126,668,573 at the end of 2011, a decrease of \$21,428,533. Net Assets (as described in note 10 to the audited annual financial statements) per common share was \$1.70 as at December 31, 2011 compared to \$1.83 as at December 31, 2010, representing a decrease of 7.10%. 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.

Dividend income in 2011 was \$4,218,426 as compared to \$6,607,859 in 2010. The decrease in dividend was mainly due to the fact that in 2010, Urbana received a one-time special dividend in connection with the demutualization of the Chicago Board of Option Exchange ("CBOE") while no similar special dividend was received in 2011.

In 2011, Urbana did not receive any seat rental income because it did not hold any investment in private exchanges that generated seat/membership rental income during the year. Urbana's operations in 2011 resulted in a net loss of \$13,591,825 (\$8,806,152 before net unrealized loss on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net loss of \$18,404,855 (\$3,327,600 before the specified items) in 2010.

At the end of 2010, Urbana owned 880,000 freely tradable common shares and 880,000 restricted common shares of the CBOE. These shares were restricted in that they were not freely tradable until June 15, 2011. The restriction was subsequently removed as scheduled and as a result, all CBOE shares owned by Urbana became freely tradable.

Normal Course Issuer Bid

On August 25, 2011 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,636,033 of its own 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 29, 2011, and will terminate on the earlier of August 28, 2012, 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 is to be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase in any given 30 day period, in the aggregate, more than 1,340,222 Non-Voting Class A Shares, being 2% of the 67,011,100 issued and outstanding Non-Voting Class A Shares as at August 19, 2011 (the date on which the notice was filed). As at December 31, 2011, Urbana has purchased 2,603,100 Non-Voting Class A Shares pursuant to the NCIB. These shares were

purchased on the open market at an average purchase price of \$0.97 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009, August 28, 2009 to August 27, 2010 and August 28 2010 to August 27, 2011 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased, respectively during these periods, 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share, 3,083,920 Non-Voting Class A Shares at \$1.32 per share and 7,431,300 Non-Voting Class A Shares at \$1.27 per share.

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 investments. As at December 31, 2011, the outstanding balance of the loan was \$13,600,000 (2010 - \$13,455,000) which is the fair value of the loan.

Acquisitions and Dispositions of Investments

During 2011, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investment	Quantity	Type of Investments	Cost
2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	125,000	shares	\$124,620
Bank of America Corp.	50,000	shares	736,548
Manulife Financial Corp.	50,000	shares	879,800
TMX Group Inc.	20,000	shares	820,167
Citigroup Inc.	100,000	shares	498,663
Arzak Global Securities Loan	--	loan	2,053,600
Various Horizons Beta Pro Funds	380,000	units	3,344,951

Dispositions

Investment	Quantity	Type of Investment	Proceeds
Bulgarian Stock Exchange	50,000	shares	97,938
CBOE Holdings Inc.	160,000	shares	3,972,735
TMX Group Inc.	50,000	shares	2,184,408
Citigroup Inc.	300,000	shares	1,269,454
Minneapolis Grain Exchange	15	seats	1,763,848
Manulife Financial Corp.	100,000	shares	1,466,568
Bank of America Corp.	125,000	shares	793,845
Various Horizons Beta Pro Funds	350,000	units	3,048,314

Recent Developments

Changes in Accounting Policy

In September, 2010, the Canadian Accounting Standards Board (“AcSB”) approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013 and again in December 2011 decided on an additional deferral to January 2014. This resulted in a three year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its decision summary that the deferral is a result of the delay in the International Accounting Standards Board’s investment company project and that a final standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada.

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 2011 and 2010, investment management fees of \$2,730,726 and \$2,353,731 respectively were earned by CIM in connection with its services to Urbana. For the year ended December 31, 2011, CIM absorbed no expenditures relating to Urbana (December 31, 2010 - \$nil). As at December 31, 2011 there was an investment management fees payable of \$652,232 (December 31, 2010 – \$571,110) to CIM. There were no other fees payable to related parties as at December 31, 2011.

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

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)					
	2011	2010	2009	2008	2007
Net assets, beginning of year	1.83	2.00	\$2.05	\$3.37	\$2.68
Realized gain(loss) for the year	(0.11)	(0.07)	(0.05)	(0.05)	0.06
Unrealized gain(loss) for the year	(0.09)	(0.22)	(0.00)	(1.52)	0.31
Total Investment income for the year	0.06	0.09	0.08	0.07	0.06
Total expenses for the year, including future taxes ⁽³⁾ , and non-controlling interest portion of gain/loss	(0.01)	(0.02)	(0.05)	(0.08)	(0.13)
Distributions	Nil	Nil	Nil	Nil	Nil
Net assets, end of year ⁽⁴⁾	1.70	1.83	2.00	2.05	3.37

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

	2011	2010	2009	2008	2007
Total net asset value(000's) ⁽¹⁾	\$126,669	\$148,103	\$174,683	\$158,821	\$262,841
Shares outstanding ⁽¹⁾	74,408,000	81,066,100	87,526,320	77,100,000	78,061,518
Management expense ratio excluding share issuance costs ⁽²⁾	3.20%	2.76%	2.94%	2.77%	2.99%
Management expense ratio including share issuance costs	3.20%	2.76%	4.32%	2.77%	10.50%
Management expense ratio excluding share issuance costs before waivers or absorptions	3.20%	2.76%	2.94%	3.03%	3.37%
Portfolio turnover ratio ⁽³⁾	5.56%	7.21%	2.23%	5.22%	3.00%
Trading expense ratio ⁽⁴⁾	0.08%	0.44%	0.00%	0.08%	0.00%
Net asset value per share	1.70	\$1.83	2.00	\$2.06	\$3.37
Closing market price (common)	0.89	\$1.29	\$1.51	\$1.51	\$5.40
Closing market price (Class A)	0.89	\$1.23	\$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. Pursuant to a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. Prior to August 1, 2011, CIM charged an investment management fee equal to 1.5% 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 Urbana's investment portfolio. During the year ended December 31, 2011, CIM earned \$2,730,726 investment management fees from Urbana and absorbed no expenses related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

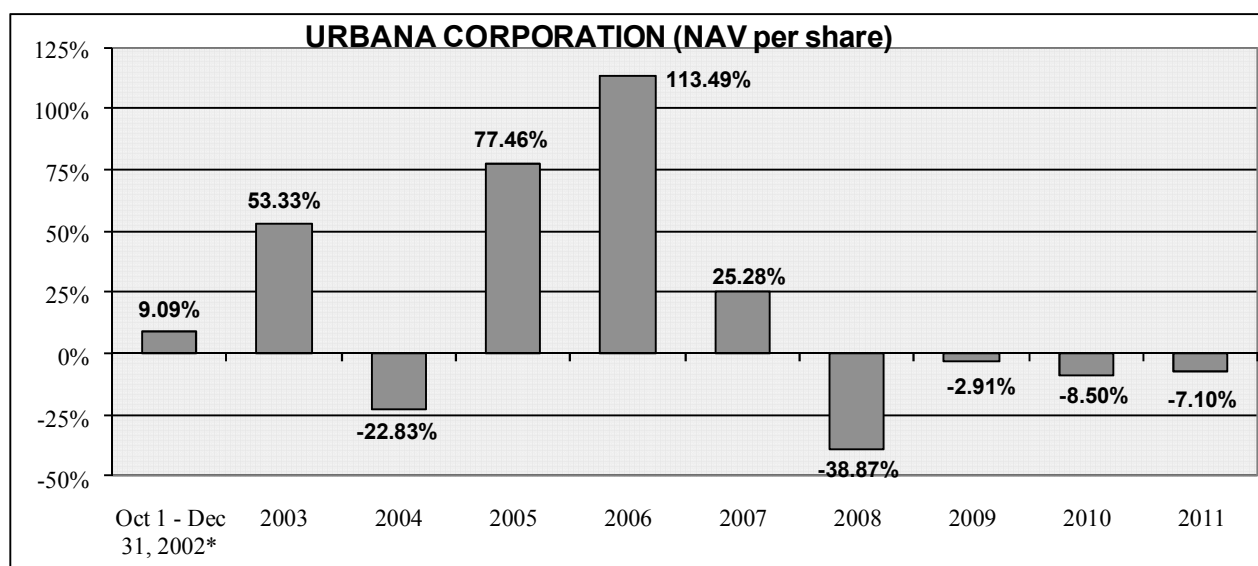
PAST PERFORMANCE

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.



*CIM began managing Urbana's investment portfolio on October 1, 2002.

Annual Compound Returns

The following table shows Urbana's historical annual compound returns for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2011), compared with the S&P/TSX Composite Index.

	1 year	3 year	since inception of Class A shares ⁽¹⁾	5 year	since inception of common shares ⁽¹⁾	since Oct 1 2002 ⁽²⁾
Urbana NAV	-7.10%	-6.20%	-10.31%	-8.77%	13.28%	12.98%
Urbana Common Shares (Market)	-31.01%	-16.16%	-	-21.58	-10.92%	26.66%
Urbana Class A Shares (Market)	-27.64%	-12.97%	-21.68%	-	-	-
S&P/TSX Composite Index ⁽³⁾	-11.07%	9.98%	-0.93%	-1.52%	3.74%	7.39%

(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) CIM began managing Urbana's investment portfolio on October 1, 2002.

(3) 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, 2011

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

Number of Shares, Units or Seats	Description	Cost	Fair Value	% of Portfolio Fair Value	% of Total Net Assets
Privately owned entities					
3,141,562	Bombay Stock Exchange	\$32,480,863	\$18,076,548	13.25%	14.27%
11	Kansas City Board of Trade	5,948,450	5,376,360	3.94%	4.24%
169,341	Budapest Stock Exchange	4,761,242	3,357,629	2.46%	2.65%
27	Minneapolis Grain Exchange	6,585,622	2,914,232	2.14%	2.30%
2,325,000	2232057 Ontario Inc. ¹	2,324,620	1,935,883	1.42%	1.53%
312,000	CNSX Markets Inc. common	1,250,000	1,250,000	0.92%	0.99%
Publicly traded securities					
1,812,648	NYSE Euronext	115,100,204	48,173,522	35.30%	38.03%
1,600,000	CBOE Holdings, Inc. common	52,991,293	42,131,112	30.87%	33.26%
160,000	TMX Group Inc.	6,269,638	6,670,400	4.89%	5.27%
30,000	Horizons BetaPro S&O/TSX Global Gold Bullion Plus	400,193	348,300	0.26%	0.27%
Other					
2,500,000	2232057 Ontario Inc. Unsecured subordinated loan ¹	2,500,000	2,500,000	1.83%	1.97%
2,000,000	Arzak Global Securities Loan	2,053,600	1,018,250	0.75%	0.80%
	Cash and Cash Equivalents	2,708,145	2,708,145	1.98%	2.14%
	Total	\$235,373,870	\$136,460,381	100.00%	107.73%

¹ Investments in StoneCap Securities Inc.

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

Consolidated financial statements of

Urbana Corporation

December 31, 2011 and 2010

Urbana Corporation

December 31, 2011 and 2010

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Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying consolidated financial statements of Urbana Corporation, which comprise the consolidated statements of net assets and investment portfolio as at December 31, 2011 and 2010, and the consolidated statements of operations, changes in net assets and (deficit), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2011 and 2010, and the results of its operations, changes in net assets and (deficit) and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Schutte & Zouche LLP

Chartered Accountants
Licensed Public Accountants
March 5, 2012

Urbana Corporation

Consolidated statements of net assets as at December 31, 2011 and 2010

(in Canadian \$)

	2011	2010
	\$	\$
Assets		
Cash and cash equivalents	2,708,145	4,287,835
Investments, at fair value	143,332,542	164,803,819
Sundry receivables	91,496	194,050
Prepaid expenses	34,963	35,596
Income taxes (note 11)	5,000,000	7,500,000
	151,167,146	176,821,300
Liabilities		
Loan payable (note 5)	13,600,000	13,455,000
Accounts payable and accrued liabilities	864,947	828,544
	14,464,947	14,283,544
Non-controlling interest (note 4)	10,033,626	14,440,650
Net assets	126,668,573	148,097,106
Shareholders' equity		
Share capital (note 6)	194,414,090	213,684,538
Contributed surplus (note 7)	38,044,864	26,611,124
Deficit	(105,790,381)	(92,198,556)
Shareholders' equity representing net assets	126,668,573	148,097,106
Total liabilities and shareholders' equity	151,167,146	176,821,300
Number of shares outstanding (note 6)	74,408,000	81,066,100
Net assets per share - basic and diluted	1.70	1.83

Approved by the Board:



Director



Director

Urbana Corporation

Consolidated statements of operations for the years ended December 31, 2011 and December 31, 2010

(in Canadian \$)

	2011	2010
	\$	\$
Gains/losses		
Loss on sale and disposal of investments	(8,465,055)	(5,582,536)
Investment income		
Dividends	4,218,426	6,607,859
Interest	251,000	201,546
Seat rental	-	729,693
Loss on foreign exchange	(16,047)	(94,204)
	4,453,379	7,444,894
Expenses		
Investment management fees (note 9)	2,730,726	2,353,731
Interest	823,773	251,930
Foreign withholding taxes	457,257	1,027,229
Administrative	413,035	573,925
Transaction costs	128,139	637,615
Audit fees	105,075	127,261
Director fees	49,065	66,396
Shareholder reporting costs	41,514	76,071
Insurance	30,777	30,777
Legal fees	8,656	37,690
Independent Review Committee fees	4,727	5,788
License fees	1,732	1,545
	4,794,476	5,189,958
Net (loss) gain before unrealized net loss on foreign exchange and investments, non-controlling interest and income taxes	(8,806,152)	(3,327,600)
Change in unrealized net (loss) gain on foreign exchange and investments	(6,692,697)	(18,516,782)
Net (loss) before non-controlling interest and income taxes	(15,498,849)	(21,844,382)
Non-controlling interest portion of loss	4,407,024	939,527
Net (loss) income before income taxes	(11,091,825)	(20,904,855)
(Provision for) recovery of income taxes (note 11)		
Current	-	-
Future	(2,500,000)	2,500,000
	(2,500,000)	2,500,000
Total results of operations for the year	(13,591,825)	(18,404,855)
Basic and diluted loss per share	0.18	0.22
Weighted average number of shares outstanding	77,641,285	85,433,299

Urbana Corporation

Consolidated statements of changes in net assets and (deficit) for the years ended December 31, 2011 and December 31, 2010

(in Canadian \$)

	2011	2010
	\$	\$
Net assets		
Shareholders' equity representing net assets, beginning of year	148,097,106	174,679,405
Operating activities		
Total results of operations for the year	(13,591,825)	(18,404,855)
Capital transactions (notes 6 and 7)		
Normal course issuer bid repurchases payments	(7,836,708)	(8,177,444)
Total capital transactions	(7,836,708)	(8,177,444)
Net assets, end of year	126,668,573	148,097,106
(Deficit)		
(Deficit), beginning of year	(92,198,556)	(73,793,701)
Total results of operations for the year	(13,591,825)	(18,404,855)
Deficit, end of year	(105,790,381)	(92,198,556)

Urbana Corporation

Consolidated statements of cash flows for the years ended December 31, 2011 and December 31, 2010

(in Canadian \$)

	2011	2010
	\$	\$
Operating activities		
Total results of operations for the year	(13,591,825)	(18,404,855)
Items not affecting cash		
Loss on sale and disposal of investments	8,465,055	5,582,536
Unrealized net gain (loss) on foreign exchange and investments	6,692,697	18,516,782
Non-controlling interest portion of loss	(4,407,024)	(939,527)
Provision for future income taxes	2,500,000	(2,500,000)
	(341,097)	2,254,936
Net change in non-cash working capital items		
Sundry receivables	102,554	(190,341)
Prepaid expenses	633	(21,464)
Accounts payable and accrued liabilities	36,403	(332,574)
	139,590	(544,379)
Cash flow (used in) from operating activities	(201,507)	1,710,557
Financing activities		
Proceeds from loan payable	145,000	13,455,000
Normal course issuer bid repurchases payments	(7,836,708)	(8,177,444)
Cash flow (used in) from financing activities	(7,691,708)	5,277,556
Investing activities		
Purchases of investments	(8,458,349)	(52,880,583)
Proceeds on sale of investments	14,771,874	10,439,186
Proceeds on maturity of investments	-	37,634,391
Deposit on future investments	-	350,032
Cash flow from (used in) investing activities	6,313,525	(4,456,974)
Net change in cash during the year	(1,579,690)	2,531,139
Cash and cash equivalents, beginning of year	4,287,835	1,756,696
Cash and cash equivalents, end of year	2,708,145	4,287,835
Supplemental disclosure		
Amount of interest paid	807,618	141,522

Urbana Corporation

Consolidated statements of investment portfolio

as at December 31, 2011

(in Canadian \$)

Number of shares	Description	Cost \$	2011 Fair value \$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	27,656,854
11	Kansas City Board of Trade (seats)	5,948,450	5,376,360
169,341	Budapest Stock Exchange (shares)	4,761,242	3,357,629
27	Minneapolis Grain Exchange (seats)	6,585,622	2,914,232
2,325,000	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	2,324,620	1,935,883
312,500	CNSX Markets Inc. common stock	1,250,000	1,250,000
		71,390,617	42,490,958
Publicly traded securities			
1,812,648	NYSE Euronext	115,100,204	48,173,522
1,600,000	CBOE Holdings Inc.	52,991,293	42,131,112
160,000	TMX Group Inc.	6,269,638	6,670,400
30,000	Horizons BetaPro S&O/TSX Global Gold Bullion Plus	400,193	348,300
		174,761,328	97,323,334
Other			
2,500,000	2232057 Ontario Inc. *	2,500,000	2,500,000
2,000,000	Arzak Global Securities Loan. **	2,053,600	1,018,250
		4,553,600	3,518,250
		250,705,545	143,332,542

* The Company holds a unsecured subordinated promissory note with a current yield of 10% and a maturity date of March 12, 2013.

** The Company made a loan to Arzak Global AGI Limited in the amount of US\$2 million, with a fixed 10% interest rate per annum, and maturity date of May 21, 2012.

Urbana Corporation

Consolidated statements of investment portfolio as at December 31, 2010

(in Canadian \$)

Number of shares	Description	Cost	2010 Fair value
		\$	\$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	40,547,370
169,341	Budapest Stock Exchange (shares)	4,761,242	5,756,292
11	Kansas City Board of Trade (seats)	5,948,450	4,590,663
42	Minneapolis Grain Exchange (seats)	10,244,301	4,590,663
2,200,000	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	2,200,000	1,825,560
55	OneChicago Stock Futures Exchange (shares)	3,175,830	413,166
24,683	Bermuda Stock Exchange (shares)	533,099	257,126
50,000	Bulgarian Stock Exchange (shares)	724,589	41,791
1,100,000	2232057 Ontario Inc., Warrants	-	-
312,500	CNSX Markets Inc. Class A*	-	-
		78,108,194	58,022,631
Publicly traded securities			
1,812,648	NYSE Euronext	115,100,204	53,621,329
880,000	CBOE Holdings Inc.	29,145,212	19,989,058
880,000	CBOE Holdings Inc. (transfer restriction until June 15, 2011)	29,145,211	19,613,061
190,000	TMX Group Inc.	7,408,733	7,019,900
75,000	Bank of America Corp.	989,447	994,147
200,000	Citigroup Inc.	971,124	939,993
50,000	Manulife Financial Corp.	866,000	853,700
		183,625,931	103,031,188
2,500,000	2232057 Ontario Inc. **	2,500,000	2,500,000
1,250,000	CNSX Markets Inc. ***	1,250,000	1,250,000
		3,750,000	3,750,000
		265,484,125	164,803,819

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

** The Company holds a unsecured subordinated promissory note with a current yield of 10% and a maturity date of March 12, 2013.

*** The Company holds a non-interest bearing convertible debenture which is convertible into common shares at \$4 per share.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

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 the financial services sector as attractive for longer term growth.

1. Summary of significant accounting policies

These consolidated financial statements of Urbana have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The following is a 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 and realization of the future income tax asset.

Basis of consolidation

These consolidated financial statements include the accounts of the Company, its 58.54 % (2010-58.54%) owned subsidiary, Caldwell India Holdings Inc., and its wholly owned subsidiaries. All inter-company transactions have been eliminated.

Capital management

The Canadian Institute of Chartered Accountants (“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.

Foreign exchange

The monetary assets and liabilities of the Company’s integrated foreign subsidiaries 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.

Financial instruments

The Company’s financial instruments are comprised of cash, investments, sundry receivables, 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 carrying value of loan payable approximates its fair value as the interest rate on the loan is variable. Investments are classified as held-for-trading financial instruments, and as such, are recorded at fair value. Unrealized gains and losses on investments are recognized in the consolidated statements of operations.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

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 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.

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. 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.

Fair Value Hierarchy

The Company classifies 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;

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

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

Refer to Note 2 for the classification of the fair value measurements.

Transaction costs

Transaction costs are expensed and are included in “Transaction costs” in the Consolidated statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Prior to adoption of Section 3855, Financial Instruments – Recognition and Measurement, transaction costs were capitalized and included in the cost of purchases or proceeds from sale of investments. There is no impact on the net asset value of the Company in using either of these methods. The cost of investments for each security is determined on an average basis.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

1. Summary of significant accounting policies (continued)

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 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

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;

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

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

2. Fair value measurement (continued)

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2011 and December 31, 2010:

December 31, 2011				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	2,708,145	-	-	2,708,145
Publicly traded securities	97,323,334	-	-	97,323,334
Privately owned entities	-	8,290,592	34,200,366	42,490,958
Other	-	-	3,518,250	3,518,250
	100,031,479	8,290,592	37,718,616	146,040,687

December 31, 2010				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	4,287,835	-	-	4,287,835
Publicly traded securities	83,418,127	19,613,061	-	103,031,188
Privately owned entities	-	9,181,326	48,841,305	58,022,631
Other	-	-	3,750,000	3,750,000
	87,705,962	28,794,387	52,591,305	169,091,654

During the year ended December 31, 2011 and December 31, 2010 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

December 31, 2011			
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	48,841,305	3,750,000	52,591,305
Purchases	124,620	2,053,600	2,178,220
Sales	(4,433,518)	-	(4,433,518)
Change in unrealized (losses)	(11,582,041)	(1,035,350)	(12,617,391)
Transfers	1,250,000	(1,250,000)	-
Ending balance	34,200,366	3,518,250	37,718,616

December 31, 2010			
	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	46,503,933	1,250,001	47,753,934
Purchases	8,301,509	2,500,000	10,801,509
Change in unrealized (losses)	(5,964,137)	(1)	(5,964,138)
Ending balance	48,841,305	3,750,000	52,591,305

For the year ended December 31, 2011, there were no transfers in/out of Level 3 investments. There were no sales and transfers into/out of Level 3 investments for the year ended December 31, 2010. 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 \$ 2.4 million (December 31, 2010 - \$3.6 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.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

3. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks. Management seeks to minimize potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio advisors, and through daily monitoring of the Company's position and market events.

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at December 31, 2011, the Company had \$3.5 million (December 31, 2010 - \$2.5 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of net assets.

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, 2011, the Company had a demand loan for \$13,600,000 (December 31, 2010 - \$13,455,000), representing 10.74% (December 31, 2010 - 9.09%) of net assets. 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 5). The Company's common shares and Class A shares cannot be redeemed by shareholders. The Company endeavours to maintain sufficient liquidity to meet its expenses.

Currency risk

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

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2011 and December 31 2010.

Currency	December 31, 2011	December 31, 2010
	As % of net assets	As % of net assets
	%	%
United States Dollars	80.14	70.91
Indian Rupee	21.83	27.38
Other	2.65	3.92
	104.62	102.21

The Company's net assets would decrease or increase by approximately \$6,626,174 (December 31, 2010 - \$7,567,733) 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.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

3. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as 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.

Interest risk (continued)

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

	Less than 1 year	1 – 3 years	3 – 5 Years	Over 5 years	Total
	\$	\$	\$	\$	\$
Financial asset - bonds					
December 31, 2011	-	3,518,250	-	-	3,518,250
December 31, 2010	-	2,500,000	-	-	2,500,000
Loan payable					
December 31, 2011	13,600,000	-	-	-	13,600,000
December 31, 2010	13,455,000	-	-	-	13,455,000

As at December 31, 2011, 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 \$ 164,250 (December 31, 2010 - \$175,000). 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 instrument that the Company may hold are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly and privately traded securities. As at December 31, 2011, 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 \$9,732,333 (December 31, 2010 - \$8,341,813) (approximately 7.68 % (December 31, 2010 – 5.63%) 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 borrowed this money to make additional investments. 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 5).

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

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 ("BSE"). In 2010, the Company sold 28,507 investor shares of CIHI with a cost base of \$306,045 for cash proceeds of \$248,676. Consequently, the Company's investment in CIHI represents a 58.54% interest in the issued share capital of CIHI.

Non-controlling interest consists of the following:

	Year ended December 31, 2011	Year ended December 31, 2010
	\$	\$
Non-controlling interest, beginning of year	14,440,650	15,380,177
Share of net (loss)	(4,407,024)	(939,527)
Non-controlling interest, end of year	10,033,626	14,440,650

Urbana Mauritius Inc.

In June 2009, Urbana set up a wholly owned subsidiary in Mauritius, Urbana Mauritius Inc. ("UMI"), to facilitate future investments in India. As at December 31, 2011, UMI owns 791,000 (December 31, 2010 - 791,000) equity shares of the BSE.

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 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 investments. As at December 31, 2011, the outstanding balance of the loan was \$13,600,000 (December 31, 2010 - 13,455,000) which is the fair value of the loan. As at December 31, 2011, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

Urbana Corporation

Notes to the consolidated financial statements December 31, 2011 and 2010

6. Share capital

At December 31, 2011 share capital consists of the following:

	Number	Year ended December 31, 2011 Amount \$	Number	Year ended December 31, 2010 Amount \$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, beginning of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued - non-voting Class A shares				
Balance, beginning of year	71,066,100	205,685,645	77,526,320	222,740,626
Normal Course Issuer Bid				
Redemption (a)	(6,658,100)	(19,270,448)	(6,460,220)	(17,054,981)
Balance, end of year	64,408,000	186,415,197	71,066,100	205,685,645
Total	74,408,000	194,414,090	81,066,100	213,684,538

- a) On August 25, 2011 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,636,033 of its own 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 29, 2011, and will terminate on the earlier of August 28, 2012, 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 is to be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase in any given 30 day period, in the aggregate, more than 1,340,222 Non-Voting Class A Shares, being 2% of the 67,011,100 issued and outstanding Non-Voting Class A Shares as at August 19, 2011 (the date on which the notice was filed). As at December 31, 2011, Urbana has purchased 2,603,100 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$0.97 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009, August 28, 2009 to August 27, 2010 and August 28 2010 to August 27, 2011 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased, respectively during these periods, 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share, 3,083,920 Non-Voting Class A Shares at \$1.32 per share and 7,431,300 Non-Voting Class A Shares at \$1.27 per share.

Urbana Corporation

Notes to the consolidated financial statements

December 31, 2011 and 2010

7. Contributed surplus

	2011	2010
	\$	\$
Balance, beginning of year	26,611,124	17,733,587
Normal course issuer bid repurchase discount (note 6 (a))	11,433,740	8,877,537
Balance, end of year	38,044,864	26,611,124

8. Series B Class A purchase warrants

A summary of the Series B warrants are presented below:

	Number of warrants	2011 Weighted average exercise price	Number of warrants	2010 Weighted average exercise price
		\$		\$
Outstanding, January 1	5,345,750	2.50	5,345,750	2.50
Expired, November 10, 2011	(5,345,750)	2.50	-	-
Outstanding, December 31	-	-	5,345,750	2.50

9. Related party transactions

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

Pursuant to a fund management and portfolio management agreement effective as of August 1, 2011 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 Company's investment portfolio. Prior to August 1, 2011, CIM charged an investment management fee equal to 1.5% per annum of the market value of the equity securities in the Company's investment portfolio and 0.50% of the market value of the fixed income securities in the Company's investment portfolio. The investment management fees are accrued and paid quarterly in arrears. In the year ended December 31, 2011 and December 31, 2010, investment management fees of \$2,730,726 and \$2,353,731 respectively were earned by CIM. For the years ended December 31, 2011 and December 31, 2010, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of \$652,232 (2010 - \$571,110) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

10. 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 the 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). As a result, 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").

Urbana Corporation

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10. Net asset value and net assets (continued)

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
	\$	\$
As at December 31, 2011	1.70	1.70
As at December 31, 2010	1.83	1.83

11. Income taxes

The Company's provision for income taxes for the year ended December 31, 2011 and for the year ended December 31, 2010 is summarized as follows:

	2011	2010
	\$	\$
Net (loss) income before income taxes	(11,091,825)	(20,904,855)
Expected income taxes payable at future rates - 25%	(2,772,956)	(5,226,213)
Income tax effect of the following:		
Non-taxable portion of realized capital transactions losses	1,058,132	697,817
Non-taxable portion of unrealized capital losses	836,587	2,313,810
Non-controlling interest	(1,101,756)	(234,882)
Increase in effective income tax rate	-	444,695
Valuation allowance	4,000,000	-
Other	479,993	(495,227)
	2,500,000	(2,500,000)

The components of the Company's future income tax (asset) are as follows:

	\$	\$
Resource deductions available in perpetuity	(13,703)	(13,703)
Unrealized capital losses on investments	(6,459,275)	(5,403,378)
Share issuance costs	(38,856)	(494,610)
Tax benefit of capital loss carryforwards	(1,362,806)	(821,964)
Tax benefit of non-capital loss carryforwards (expiring 2031)	(1,190,904)	(769,030)
Valuation allowance	4,000,000	-
Other	65,544	2,685
Total future income tax (asset)	(5,000,000)	(7,500,000)

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12. Future changes in accounting standards

International Financial Reporting Standards ("IFRS")

In September, 2010, the AcSB approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013 and again in December 2011 decided on an additional deferral to January 2014. This results in a three year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its decision summary that the deferral is a result of the delay in the International Accounting Standards Board's investment company project and that a final standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada.

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