# URBANA CORPORATION

## INTERIM REPORT OF FUND PERFORMANCE

**For the six month period ended June 30, 2007**

This 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 financial statements of Urbana Corporation ("Urbana"). You can get a copy of Urbana's interim unaudited and 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 St. W., Suite 1702, Toronto, Ontario M5H 1J9 or visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

Securityholders may also contact us using one of the 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", "plan", "intend" and similar expressions to the extent they relate to Urbana or the Investment Manager (as defined below). 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.*

## 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, initially within the exchange industry. Urbana has retained Caldwell Investment Management Ltd. ("CIM" or the "Investment Manager") to manage its investment portfolio. Management has identified securities and derivatives exchange properties around the world as good long-term investments due to the trend of demutualization in, and consolidation of, the exchange industry. At the present time, Urbana has focussed its efforts on acquiring interests in exchange properties for long-term gains. 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 or other assets, may be pursued from time to time. 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 the net asset value of Urbana. The leverage currently employed by Urbana represents less than 10% of its total assets.

Management believes that exchanges are a way to participate in a regional economy as regional economic success is eventually reflected in the region's stock (cash) market. For example, Management believes that an investment in the Bombay Stock Exchange is a way to participate in India's growth.

Management and the Investment Manager believe there are three stages of valuation creation in the exchange sector:

- **Pre-Initial Public Offering ("IPO")** – At present, a substantial number of the equity and derivative exchanges in the world are private companies or not-for-profit organizations. The Investment Manager believes that over the next five years, most of these will either become public companies themselves, or be acquired by a public company. In the conversion from private to public ownership and from not-for-profit to for-profit, the experience of Urbana in other exchanges has shown that considerable value may be created, as was the case with the New York Stock Exchange ("NYSE"). Urbana's current holdings in this category comprise most of its portfolio and include direct or indirect holdings in the Chicago Board Option Exchange ("CBOE"), the Bombay Stock Exchange ("BSE"), the Philadelphia Stock Exchange ("PSE"), the Winnipeg Commodity Exchange ("WCE") and the Minneapolis Grain Exchange ("MGEX"). The Investment Manager's intent is that the majority of future acquisitions will also be in pre-IPO stage exchanges.

- **Search for Efficiencies –** Once the conversion to a public company is completed, the Investment Manager believes that exchanges and their shareholders can take up to three years to fully realize the benefits of the conversion. The most important of these benefits is the expansion of profit margin. Exchanges that have been public for the past several years, such as the TSX or the Chicago Mercantile Exchange ("CME"), have accomplished this by increasing volumes, converting from floor-based trading to electronic trading and developing or acquiring higher-margin proprietary products. These improvements explain in great measure the strong performance that exchanges have shown post-IPO. In the Investment Manager's opinion, the NYSE, one of Urbana's significant holdings, is an example of a new public company that still has much to gain from realizing improved efficiencies. Specifically, the Investment Manager anticipates that the New York trading floor may be closed within the next two years with a conversion to a global, fully electronic marketplace. This has the potential to significantly increase the NYSE's operating margins, bringing them in line with other established public exchanges.

- **Consolidation and Convergence –** In the past year, there have been several high-profile deals announced, including the merger of the NYSE and Euronext, bids for the Chicago Board of Trade by each of the Intercontinental Exchange and the CME and numerous examples of cross-ownership between international exchanges seeking to form alliances. The Investment Manager believes that this trend will continue for several more years. The arena in which consolidation is most prevalent is the acquisition of derivative exchanges (that is, options and commodities) by stock exchanges seeking to increase their margins and gain proprietary products in the fastest growing segment of the sector. Urbana's investment in the CBOE anticipates that the CBOE may be acquired by a larger exchange that wishes to buy the options exchange with the biggest market share in the United States. The Investment Manager also considers all of the North American grain exchanges, as well as the London, Singapore and Osaka Exchanges, to be likely acquisition targets.

The creation of publicly-traded securities and derivatives exchanges is 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. Management anticipates that the consolidation trend will continue and that other mergers are likely to take place over the coming years. Management believes that this may allow the Investment Manager to leverage its demonstrated expertise in this sector.

Management and the Investment Manager believe that the four primary growth drivers for the exchange sector are as follows:

*Trading Volume*

Technology and trading participants (hedge funds and algorithmic trading in addition to traditional investors) are substantially increasing trading volumes on the world's major exchanges. Management believes that the size and sustainability of these volume increases are not yet appreciated by the market.

*Margin Expansion*

Efficiencies are obtained through the divestiture of non-core assets (e.g. the regulatory function) and replacing or updating legacy trading systems (e.g. floor trading) with new technologies, which drive improved margins. In the past, trade completions were fulfilled in minutes. They are now measured in a diminishing number of milliseconds. At the corporate level, the for-profit discipline now being implemented at many exchanges is forcing a culture change which is reflected in improving margins.

*Proprietary Products*

Exchanges are striving to obtain proprietary products to trade on their specific venue. This trend is fuelling acquisitions of derivative exchanges (options and futures) by stock (cash) markets. Derivative markets have greater proprietary trading attributes and as a consequence, greater profit margins than stock markets. Trading volumes at derivative exchanges are also growing at a faster rate.

*Product Pricing*

A readjustment of pricing to more accurately reflect the economic value of trading, listing and data services is also fuelling growth. Data and information, the value of which was not previously captured by private exchanges, have become significant revenue generators for public exchanges. Hedge and algorithmic traders rely significantly on historical information to develop their trading parameters and are willing to pay for such information. News services augment the increasing demand for information. Over time, data and information can grow to become a major income stream for exchanges.

Management believes that the combination of these factors will continue to be significant drivers for revenue growth and increasing profitability in the industry for the foreseeable future.

The demutualization, conversion to for profit corporations and subsequent public offerings of exchanges has led to significant capital appreciation for investors.

**Investment Management Team**

Profiles of the key personnel at the Investment Manager are as follows:

**Thomas S. Caldwell, C.M., B.Comm. Hons-Economics, FCSI, Portfolio Manager**

Thomas S. Caldwell is Chairman of Caldwell Financial Ltd. and its subsidiary companies Caldwell Asset Management Inc., Caldwell Securities Ltd. (which he founded in 1980) and the Investment Manager. Mr. Caldwell is a Member of the Board of Associates of the Whitehead Institute for Biomedical Research (MIT) Boston. He is a former Governor of the Toronto Stock Exchange, a Fellow of the Canadian Securities Institute and a past Director of the Investment Dealers Association of Canada.

Mr. Caldwell graduated with an Honours Degree in Economics from McGill University in 1965. His career in the investment industry commenced a year prior, at Royal Securities Corporation. Upon graduation, he rejoined that company and remained after its purchase by Merrill Lynch and managed all institutional equity trading in Canada. In 1975, Mr. Caldwell joined a predecessor firm of BMO Nesbitt Burns Inc. as a Senior Investment Advisor.

Thomas S. Caldwell, as the lead investment manager for Urbana, supervises the overall investment activities conducted by CIM on Urbana's behalf. He serves as Urbana's President.

**Brendan T.N. Caldwell, B.Sc., M.A., FCSI, CFA, Portfolio Manager**

Brendan T.N. Caldwell is President and CEO of the Investment Manager and Executive Vice-President of Caldwell Financial Ltd.

Mr. Caldwell earned his B.Sc. from Trinity College at the University of Toronto and his M.A. from the University of London, England. He has held the designation of Chartered Financial Analyst since 1995. Mr. Caldwell is a member of the Toronto Society of Financial Analysts, the CFA Institute and is a Fellow of the Canadian Securities Institute.

Mr. Caldwell worked for a major mutual fund company and a bank-controlled investment firm prior to joining Caldwell in 1995.

Mr. Caldwell has been a member of the Toronto Stock Exchange, the NYSE, the American Stock Exchange and the CBOE.

**Robert M. Callander, B.Sc., M.B.A., CFA, Portfolio Manager**
Mr. Callander is an investment industry executive with over thirty years experience, including senior positions in investment research and corporate finance. He provides financial advisory services to both institutional and private clients. Mr. Callander is a Chartered Financial Analyst.

**J. Dennis Freeman, Portfolio Manager**
Mr. Freeman's investment experience has been primarily focused on the fixed income sector, including managing major bond funds. His broad experience and market strategy views are highly regarded in the investment industry.

**Charles Hughson, Strategic Advisor**
Mr. Hughson is an investment industry professional with over three decades of experience. Graduating from the University of Aberdeen, Scotland with an M.A. (Hons.) degree in economics, he began his career as an investment analyst in the City of London, England. Mr. Hughson immigrated to Canada in 1975 and joined the Alberta Treasury department, then a leading Canadian life insurance company.

**John R. Kinsey**
Mr. Kinsey contributes over forty years of investment experience, which includes portfolio management, research and trading. He also coordinates the equity research functions of the Investment Manager which include monitoring the overall universe of securities followed by the Investment Manager.

**Jennifer Radman, Analyst, CFA, Associate Portfolio Manager**
Ms. Radman joined the firm in June 2004 as a research associate. She graduated with honours with a business degree from the University of South Carolina. Ms. Radman is responsible for the Investment Manager's proprietary computer model portfolios.

**Thomas Ratnik, B.A.Sc., P.Eng.**
Mr. Ratnik's responsibilities include market strategy, timing and technical analysis. With forty years experience as a technical analyst, Mr. Ratnik has developed a series of criteria which assist in establishing entry and exit points for equity portfolio positions. Mr. Ratnik is a professional engineer.

**Independent Review Committee**
In July 2006, the Canadian Securities Administrators released in final form National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"). NI 81-107 applies to mutual funds and non-redeemable investment funds. It requires the manager of a fund to establish an Independent Review Committee to deal with certain matters which could be perceived to be in the nature of a conflict of interest between the manager and the fund. NI 81-107, which came into force on November 1, 2006 with a one year transition period, applies to Urbana because it is a non-redeemable investment fund.

The Investment Manager will comply with NI 81-107 and has appointed Robert Guilday, H. Clifford Hatch Jr. and Sharon Kent as the first members of the Independent Review Committee, with input from the independent Directors of Urbana.

Mr. Guilday is a consultant in the financial services industry. He previously held several positions at ScotiaMcLeod and has over thirty years of experience in the financial services industry. Mr. Guilday holds a Bachelor of Science from Mount St. Mary's University and a Master of Arts from Niagara University.

Mr. Hatch is the President and Chief Executive Officer of Cliffco Investment Ltd., a private venture capital investment and holding company. He is also a director of Transat A.T. Inc., Consolidated HCI Limited, Brookdale Treeland Nurseries Limited and Carizuelo S.A. Mr. Hatch holds a Bachelor of Arts (Honours) in Economics and Political Science from McGill University.

Ms. Kent is the Chief Executive Officer of Member Savings Credit Union Limited and President and Chief Executive Officer of Members Mutual Management Corp (a mutual fund dealer wholly owned by the credit union). She holds a Bachelor of Economics degree from McMaster University. Ms. Kent serves on a number of committees within the Ontario Credit Union system and has served on the board of the Credit Union Managers' (Ontario) Association for the past ten years.

**Results of Operations**

Urbana's net shareholders' equity grew from $26,823,999 at the end of 2006 to $73,989,562 at the end of June 2007, an increase of $47,165,563. This increase was the result of $53,645,605 additional capital raised through the issuance of 18,548,100 Non-Voting Class A Shares and 9,274,050 Non-Voting Class A Share purchase Warrants in January 2007, and an operating loss of $6,480,042. The additional capital raised in January 2007 has been fully utilized to purchase investments in various securities exchanges around the world. Net asset value per common share was $2.59 per share as of June 30, 2007 compared to $2.69 as of December 31, 2006, representing a decrease of 3.72%. The net asset value 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 asset value per common share.

**Recent Developments**

**(i) Adoption of New Accounting Changes**

On April 1, 2005, The Canadian Institute of Chartered Accountants, which establishes Canadian GAAP for financial reporting purposes, issued Section 3855, "Financial Instruments – Recognition and Measurement." This section, which came into effect on October 1, 2006, will be applicable to the Company's year ending December 31, 2007 and 6 month period ended June 30, 2007.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be determined by using the closing bid price for the securities ("GAAP NAV") instead of the closing traded price ("Transactional NAV") that was used before Section 3855 was adopted. In 2007, this change will impact the reported value of the Company's investments as reported in the interim and annual financial statements. However, the Canadian Securities Administrators ("CSA") have granted relief to investment funds from complying with Section 3855 on an interim basis for calculating the investment funds' net asset values for purposes other than financial statements. The relief currently expires on September 30, 2007 unless an extension is given by the CSA. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, be charged to net income. Prior to 2007, the practice was to add these expenses to the cost of securities purchased or to deduct them from the proceeds of sale. There are no tax implications and no impact on the net asset value of the Company in using either of these methods. Furthermore, the Company has not paid any commissions or incurred other transaction costs in connection with its security transactions.

**(ii) Addition of Capital**

On January 11, 2007 Urbana completed a short form prospectus offering (the "January Offering") of 16,129,100 units (the "Units") at a price of $3.10 per Unit for a gross proceeds of $50,000,210. 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 ("Warrant"). Each Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of $3.75 on or before January 11, 2009. The Units separated into Non-Voting Class A Shares and Warrants immediately upon the completion of the Offering. As a result of the completion of the Offering, the Company issued 16,129,100 Non-Voting Class A Shares and 8,064,550 Warrants. Concurrent to the closing of the Offering, Urbana's Common Shares, Non-Voting Class A Shares and Warrants (collectively "Urbana Securities") began trading on the Toronto Stock Exchange.

In connection with the January Offering, the syndicate of agents for the Offering (the "Agents") was granted the option to purchase, within 30 days of the completion of the January Offering (the "Over-Allotment Option"), up to an additional 2,419,000 Non-Voting Class A Shares at a price of $3.05 per share and up to an additiona1 1,209,500 Warrants at a price of $0.05 per each half Warrant. On January 29, 2007, the Agents exercised the Over-Allotment Option in full for gross proceeds of $7,498,900 to Urbana. As a result of the full exercise of the Over-Allotment Option, Urbana issued an additional 2,419,000 Non-Voting Class A Shares and 1,209,500 Warrants.

On July 12, 2007, Urbana completed a short form prospectus offering (the "Offering") of 24,193,600 units (the "Units") at a price of $3.10 per Unit for gross proceeds of $75,000,160. Each Unit consisted of one non-voting Class A Share ("Non-Voting Class A Share") and one-half of one Series A Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a "Series A Warrant"). Each Series A Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of $3.75 on or before July 12, 2009. The Units separated into Non-Voting Class A Shares and Series A Warrants immediately upon the closing of the Offering.

In connection with the Offering, the syndicate of agents for the Offering (the "Agents") was granted the option to purchase, within 30 days of the completion of the Offering (the "Over-Allotment Option"), up to an additional 3,629,040 Non-Voting Class A Shares at a price of $3.05 per share and up to an additional 1,814,520 Series A Warrants at a price of $0.05 per each half Series A Warrant. On July 27, 2007, the Agents exercised the Over-Allotment Option. Urbana issued 1,192,395 Non-Voting Class A Shares and 596,197 Series A Warrants at the closing on August 1, 2007. Gross proceeds to Urbana from the Agents' exercise of the Over-Allotment Option were $3,696,424.

**(iii) Purchases of Investment Assets**

In January 2007, Urbana purchased a seat on the CBOE for $2,208,440. Urbana also purchased interests in three other private exchanges by buying a seat on the Kansas City Board of Trade ("KCBOT") for $414,000, a seat on the American Stock Exchange ("AMEX") for $441,000 and two board lot shares (formerly seats) of the PSE for $282,000 for an aggregate of $1,137,000. Urbana also invested $5,504,000 in total to buy shares in five public exchanges: $1,997,000 in the London Stock Exchange ("LSE"), $512,000 in the Singapore Exchange Ltd. ("SGX"), $2,053,000 in the Hong Kong Exchange & Clearing Ltd. ("HKEX"), $455,000 in the Deutsche Boerse AG ("DB") and $487,000 in the Johannesburg Stock Exchange ("JSE"). The foregoing purchases represent combined expenditures of approximately $6,641,000.

In February 2007, Urbana purchased an additional seat on the CBOE for $2,184,000 and one seat on the MGEX for approximately $95,000. Urbana also purchased 200 shares of the Osaka Stock Exchange Co. Ltd. ("OSEC") for approximately $1,264,000.

In March 2007, Urbana purchased two additional seats on the CBOE for $2,588,000 each and one seat on KCBOT for $475,000. Urbana had owned a 4,000 share position in the Montreal Exchange ("MXX") when it was a private company. On March 27, 2007, the MXX shares were split three for one and began trading on the TSX.

In April 2007 Urbana purchased three additional seats on the CBOE and one additional board lot of the PSE for total consideration of approximately $7,779,000. Urbana also initiated a position in the WCE by purchasing 23,500 shares for a total investment of $940,000.

In May 2007, Urbana made an investment of $26,500,000 in the BSE indirectly by way of an investment of approximately 60.9% in the equity shares of Caldwell India Holdings Inc. ("CIH"). This investment was facilitated by Caldwell Asset Management Inc. ("CAM"), and U.S. affiliate of the Investment Manager. CIH is a corporation established under the laws of Mauritius for the sole purpose of investing in exchange properties and other holdings in India for clients of CAM and the Investment Manager. CIH invested approximately $43,500,000 in the BSE representing 308,000 shares or 4% of the outstanding shares of the BSE.

In June 2007, Urbana purchased four additional MGEX seats and 9,683 shares of the Bermuda Stock Exchange ("Bermuda SE"). The costs associated with these two investments were $563,806 and $215,619 respectively.

In July 2007, Urbana purchased three additional seats on the CBOE, 450 additional shares of the PSE, 15,000 additional shares of the Bermuda SE and one additional seat on the KCBOT. The costs associated with these investments were $8,256,123, $583,022, $317,480 and $494,413 respectively.

The CBOE, KCBOT, PSE, AMEX, WCE, MGEX, Bermuda SE and the BSE are private entities and the LSE, SGX, HKEX, JSE, DB, OSEC, and MXX are publicly traded entities.

**Related Party Transactions**

CFL is a significant shareholder of Urbana and under common management. Caldwell Asset Management Inc. ("CAM"), Caldwell Securities Ltd. ("CSL") and CIM are subsidiaries of CFL. In the six month period ended June 30, 2007 investment management fees of $585,890 were paid to CIM (2006 – a total of $122,617 to CIM and CSL). In the six month period ended June 30, 2007 no rent was paid (2006 - $30,000 to CSL). In the six month period ended June 30, 2007 no consulting fees were received (2006 - $90,000 from CIM). In the six month period ended June 30, 2007 interest was paid to CFL with respect to a loan payable amounting to $14,766 (2006 - $33,936). As at June 30, 2007, Urbana held 49,440 units of Caldwell Growth Opportunities Trust, which is also managed by CIM. There is no duplication of management fees with respect to these units.

## FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about Urbana and is intended to help you understand Urbana's financial performance for the past two years. This information is derived from Urbana's annual financial statements.

| **Urbana's Net Asset Value (NAV) per Share**[1] | **Six months ended June 30, 2007** | **Year ended Dec. 31, 2006** | **Year ended Dec. 31, 2005** |
|---|---|---|---|
| Net asset value, beginning of year | $2.68 | $ 1.26 | $ 0.71 |
| Total revenue | 0.03 | 0.04 | 0.04 |
| Total expenses, including future taxes | 0.01 | 0.37 | 0.13 |
| Realized gains/losses for the period | 0.00 | 0.02 | (0.02) |
| Unrealized gains for the period | (0.26) | 1.78 | 0.66 |
| Net asset value, end of year[2] | 2.59 | 2.69 | 1.26 |

(1) Net asset value is based on the actual number of common shares and Non-Voting Class A 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.

(2) This is not a reconciliation of beginning and ending net asset value per share.

(3) The net asset value at the beginning and the end of the 2007 period are shown as GAAP NAV. The net asset value for all prior periods are shown as they were originally reported.

| **Ratios and Supplemental Data** | **Six months ended June 30, 2007** | **Year ended Dec. 31, 2006** | **Year ended Dec. 31, 2005** |
|---|---|---|---|
| Net Investment Assets[1] | $79,017,811 | $31,687,653 | $13,463,668 |
| Shares outstanding[1] | 28,548,100 | 10,000,000 | 9,000,000 |
| Management Expense Ratio[2] | 2.17% | 4.60%[3] | 3.25% |
| Portfolio Turnover Ratio[4] | 0.00% | 10.17% | 8.03%* |
| Trading Expense Ratio[5] | 0.00% | 0.00% | 0.18%* |
| Closing Market Price (common shares) | $3.40 | $3.00 | $2.00 |
| Closing Market Price (Class A shares) | $3.05 | - | - |

* restated from 2006 Annual MRFP.

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

(2) The Management Expense Ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the period.

(3) In 2006, Urbana incurred $67,113 of legal fees for activities related to capital financing and the application for graduation from the TSX Venture Exchange to the Toronto Stock Exchange. Since this was a one-time, out of the ordinary course of business expense, it is not included in the calculation of the Management Expense Ratio. If it had been included in the calculation of the Management Expense ratio, the ratio would have been 4.93%.

(4) Urbana's turnover rate indicates how actively the Investment Manager manages Urbana's liquid 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.

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

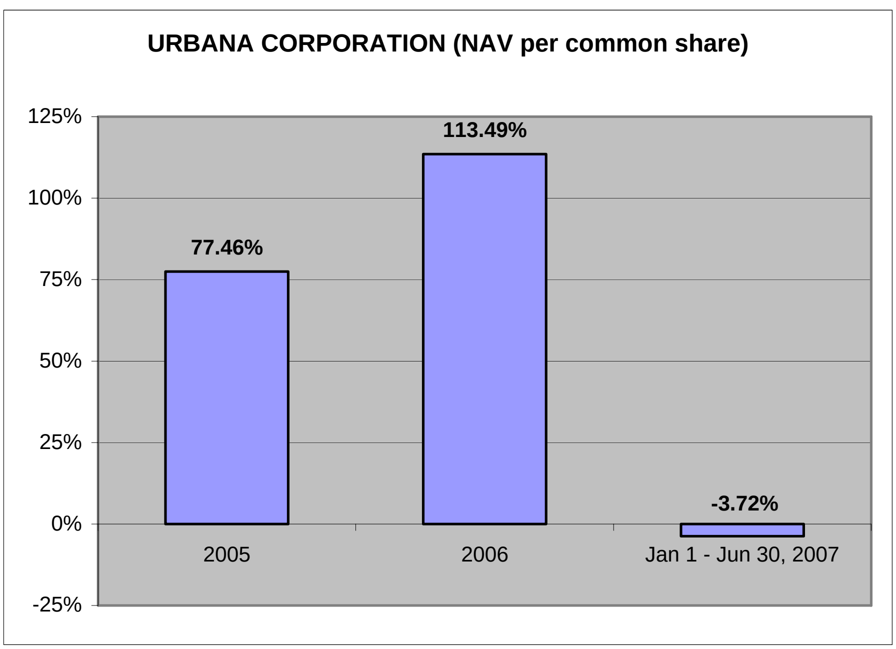
**Management Fees**

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. Out of the investment management fees, CIM pays for certain administrative services including brokerage fees for the purchase and sale of securities, maintaining financial and corporate records, calculating the net asset value of the corporation and regulatory filings. During the six month period ended June 30, 2007, investment management fees of $585,890 were paid to CIM. The investment management fees are accrued and paid quarterly in arrears.

## PAST PERFORMANCE

**Year-by-Year Returns**

The following bar chart shows the net asset value ("NAV") performance of Urbana's common shares for the financial year/period indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year/period would have grown or decreased by the last day of each financial year/period based on the net asset value (NAV) per share of Urbana. Past performance is not an indication of how Urbana will perform in the future.



**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, 2006), compared to the S&P/TSX Composite Index.

| | **1 year** | **2 year and since inception[(1)]** |
|---|---|---|
| Urbana Corporation (NAV) | 113.49%* | 94.65%* |
| Urbana Corporation (Market) | 50.00% | 67.44%* |
| S&P/TSX Composite Index[(2)] | 17.26% | 20.66% |

* restated from 2006 annual MRFP.

(1) Inception date is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund.
(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
## As at June 30, 2007

| Number of Shares/Units | Description | Cost | Market Value | Percentage of Portfolio Market Value | Percentage of Total Asset Value |
|---|---|---|---|---|---|
| 2,400,000 | CIH Inc. (Bombay Stock Exchange) | $ 26,566,306 | $ 25,521,600 | 31.54% | 33.65% |
| 8 | Chicago Board Options Exchange | 18,669,461 | 21,480,680 | 26.55% | 28.32% |
| 254,097 | *NYSE Euronext | 5,751,720 | 19,152,254 | 23.67% | 25.25% |
| 160,000 | Hong Kong Exchange & Clearing Ltd. | 2,052,594 | 2,382,016 | 2.94% | 3.14% |
| 66,000 | London Stock Exchange Group | 1,997,457 | 1,835,322 | 2.27% | 2.42% |
| 23,500 | Winnipeg Commodity Exchange | 940,530 | 1,458,880 | 1.80% | 1.92% |
| 200 | Osaka Securities Exchange Co. Ltd. | 1,261,887 | 984,309 | 1.22% | 1.30% |
| 49,440 | Caldwell Growth Opportunities Trust | 602,669 | 997,338 | 1.23% | 1.31% |
| 2 | Kansas City Board of Trade | 903,662 | 988,962 | 1.22% | 1.30% |
| 6 | Minneapolis Grain Exchange | 817,151 | 893,256 | 1.10% | 1.18% |
| 112,000 | Singapore Exchange Ltd. | 511,929 | 726,515 | 0.90% | 0.96% |
| 56,000 | JSE Ltd. | 487,160 | 674,170 | 0.83% | 0.89% |
| 4,000 | Deutsche Boerse AG | 454,586 | 457,262 | 0.57% | 0.60% |
| 12,000 | Montreal Exchange Inc. | 264,440 | 467,640 | 0.58% | 0.62% |
| 300 | Philadelphia Stock Exchange | 426,831 | 382,824 | 0.47% | 0.50% |
| 1 | American Stock Exchange | 440,769 | 398,775 | 0.49% | 0.53% |
| | Total | $ 62,364,771 | $ 79,017,811 | 100.00% | 106.68% |

*Note: NYSE Euronext shares are recorded at a discount from the market quoted value due to sale and transfer restriction.

The above summary of the investment portfolio may change. A weekly update is available at Urbana's website at www.urbanacorp.com