

URBANA CORPORATION


Financial Statements
(Unaudited)
June 30, 2007


Statements of Net Assets as at

	June 30, 2007 (Unaudited)	Dec. 31, 2006 (Audited)
ASSETS		
Marketable securities (note 3)	\$ 79,017,811	\$ 31,687,653
Cash	1,897,572	2,931
Dividends receivable	45,035	-
Sundry receivable	30,845	20,911
Prepaid expenses	12,180	266,858
Office equipment	2,277	2,397
Resource properties	1	1
	\$ 81,005,720	\$ 31,980,750
LIABILITIES		
Loan payable (note 4)	-	1,138,268
Margin debt (note 5)	4,753,398	-
Accounts payable and accrued liabilities	434,768	427,355
Future income taxes	1,827,992	3,498,000
	7,016,158	5,063,623
NET ASSETS	73,989,562	26,917,127
SHAREHOLDERS' EQUITY		
Share capital (note 6)	61,644,498	7,998,893
Unrealized gains on investments	13,803,663	19,083,957
Deficit	(1,458,599)	(165,723)
	73,989,562	26,917,127
Total liabilities and shareholders' equity	\$ 81,005,720	\$ 31,980,750
Number of common shares outstanding	10,000,000	10,000,000
Number of non-voting class A shares outstanding	18,548,100	-
Number of warrants outstanding	9,274,050	-
Net asset value per share - basic and fully diluted	2.59	2.69

See accompanying notes

On behalf of the Board

Director 

Director 

Statements of Operations
For the six months ended June 30 (Unaudited)

	2007	2006
Investment income		
Dividends	\$ 105,496	\$ 244,147
Interest	471,350	-
Consulting and other income (note 7)	-	90,379
Seat rental income	144,504	41,971
	<u>721,350</u>	<u>376,497</u>
Expenses		
Investment management fees (note 7)	585,890	122,617
Administrative (note 7)	134,849	112,861
Interest (note 7)	67,306	34,250
Audit fees	38,801	15,303
Insurance	15,600	-
Directors fees	9,100	8,000
Amortization	120	300
Salaries and benefits	-	70,932
Legal fees	-	144,893
Licence fees	-	5,158
Foreign exchange loss	1,123,928	-
	<u>1,975,594</u>	<u>509,156</u>
Net investment loss	(1,254,244)	(132,659)
Realized and unrealized gains (losses) on investments		
Adjustment to opening balance (note 2)	93,128	-
Increase (decrease) in unrealized gain on investments	(6,950,302)	5,657,596
Net gain (loss) on investments	<u>(6,857,174)</u>	<u>5,657,596</u>
Net income (loss) before income taxes	<u>(8,111,418)</u>	<u>5,524,937</u>
Provision for income taxes		
Current	38,632	-
Future	(1,670,008)	919,104
	<u>(1,631,376)</u>	<u>919,104</u>
Increase (decrease) in net assets from operations	<u>(6,480,042)</u>	<u>4,605,833</u>
Basic and fully diluted earnings (loss) per share	\$ (0.24)	\$ 0.51
Weighted average number of shares outstanding	<u>27,180,304</u>	<u>9,000,000</u>

See accompanying notes

**Statements of Changes in Net Assets, Unrealized Gains/Losses
On Investments and Retained Earnings (Deficit) (Unaudited)
For the six months ended June 30**

	2007	2006
Net Assets		
Net assets, beginning of period	\$ 26,917,127	\$ 11,334,873
Adjustment to net assets, beginning of period (note 2)	(93,128)	-
Revised opening balance	26,823,999	-
Operating activities		
Results of operations for the period	(6,480,042)	4,600,675
Capital transactions		
Issue of class A shares and warrants (note 6)	53,645,605	-
Total capital transactions	53,645,605	-
Net assets, end of period	\$ 73,989,562	\$ 15,935,548
Unrealized gains/losses on investments		
Unrealized gains/losses of investments, beginning of year	\$ 19,083,957	\$ 5,011,832
Adjustment to unrealized gains/losses of investments, beginning of year (note 2)	(111,531)	-
Revised opening balance	18,972,426	-
Net gain/loss on investments for the period	(6,857,174)	5,657,596
Adjustment to recovery of (provision for) future taxes, beginning of year (note 2)	18,403	-
Provision for future taxes for the period	1,670,008	(919,104)
Unrealized gains/losses of investments, end of period	\$ 13,803,663	\$ 9,750,324
Retained earnings (deficit)		
Retained earning, beginning of period	\$ (165,723)	\$ 224,148
Net investment loss	(1,254,244)	(132,659)
Income tax expense	(38,632)	-
Retained earnings (deficit), end of period	\$ (1,458,599)	\$ 91,489

See accompanying notes

Statements of Cash Flows
For the six months ended June 30 (Unaudited)

	2007	2006
Total results of operations for the years	\$ (6,480,042)	\$ 4,600,675
Add (deduct) items not involving cash		
Amortization	120	300
Unrealized (gain) loss - marketable securities	6,857,174	(4,738,492)
Future income taxes	(1,670,008)	-
	<u>(1,292,756)</u>	<u>(137,517)</u>
Net change in non-cash working capital items		
Rental income receivable	-	4,790
Dividends receivable	(45,035)	-
Sundry receivable	(9,934)	-
Prepaid expenses	254,678	-
Accounts payable and accrued liabilities	7,413	74,822
	<u>207,122</u>	<u>79,612</u>
Cash flows from operating activities	<u>(1,085,634)</u>	<u>(57,905)</u>
Financing activities		
Proceeds from margin debt	4,753,398	-
Issue of Class A shares	53,645,605	-
Repayment of loan	(1,138,268)	-
Cash flows from financing activities	<u>57,260,735</u>	<u>-</u>
Investing activities		
Purchases of marketable securities	(54,280,460)	-
Cash flows from investing activities	<u>(54,280,460)</u>	<u>-</u>
Net (decrease) in cash during the period	1,894,641	(57,905)
Cash, beginning of period	2,931	71,387
Cash, end of period	<u>\$ 1,897,572</u>	<u>\$ 13,482</u>

See accompanying notes

Statement of Investment Portfolio
As at June 30, 2007 (Unaudited)

Number	Description	Cost	Market Value
Marketable securities			
2,400,000	CIH Inc. Units (Bombay Stock Exchange)	\$ 26,566,306	\$ 25,521,600
169,398	Shares in NYSE Euronext	3,834,480	13,261,747
84,699	Shares in NYSE Euronext -restricted 2009	1,917,240	5,890,507
160,000	Shares in Hong Kong Exchange & Clearing Ltd.	2,052,594	2,382,016
66,000	Shares in London Stock Exchange Group	1,997,457	1,835,322
23,500	Shares in Winnipeg Commodity Exchange	940,530	1,458,880
200	Shares in Osaka Securities Exchange Co. Ltd.	1,261,887	984,309
49,440	Units in Caldwell Growth Opportunities Trust	602,669	997,338
112,000	Shares in Singapore Exchange Ltd.	511,929	726,515
56,000	Shares in JSE Ltd.	487,160	674,170
4,000	Shares in Deutsche Boerse AG	454,586	457,262
12,000	Shares in Montreal Exchange Inc.	264,440	467,640
300	Shares in Philadelphia Stock Exchange	426,831	382,824
9,683	Shares in Bermuda Stock Exchange	215,619	216,008
		\$ 41,533,728	\$ 55,256,138
Memberships			
8	Chicago Board Options Exchange	18,669,461	21,480,680
2	Kansas City Board of Trade	903,662	988,962
6	Minneapolis Grain Exchange	817,151	893,256
1	American Stock Exchange	440,769	398,775
		20,831,043	23,761,673
		\$ 62,364,771	\$ 79,017,811

See accompanying notes

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2007

1. Summary of Significant Accounting Policies

These financial statements of Urbana Corporation (“the Company”) have been prepared by management in accordance with generally accepted accounting principles in Canada (“GAAP”) for interim financial statements. The financial statements have, in management’s opinion, been properly prepared using judgement within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and, therefore, should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2006 which are available on SEDAR at www.sedar.com or upon request to the Company. The significant accounting policies follow that of the most recently reported annual financial statements except for the new accounting standards described below.

2. 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. In accordance with the relief granted by the CSA, a reconciliation between the net asset value calculation based on the Transactional NAV and the GAAP NAV is required to be disclosed in the financial statements for financial reporting periods ending September 30, 2007. This reconciliation is provided in note 8 below. Section 3855’s requirements are not applied retroactively and, therefore, prior periods are not restated. The adjustment of financial assets is calculated as an adjustment to the balance of net assets at the start of the fiscal year on January 1, 2007. Accordingly, for the six month period ended June 30, 2007, the opening balance of the marketable securities was reduced by \$111,531 from \$31,687,653 to \$31,576,122 impacting on the unrealized gains/losses on investments. The opening balance of the future income tax liability was reduced by \$18,403 from \$3,498,000 to \$3,479,597. The overall impact on net assets was a reduction of \$93,128 from \$26,917,127 to \$26,823,999.

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.

3. Marketable Securities

Marketable securities that trade in active markets are valued at the respective closing bid prices; otherwise they are recorded at fair value.

The fair value of 84,699 common shares of the NYSE Euronext, formerly NYSE Group, Inc., is based on closing market quotations less a discount of Prime + 1% for approximately 1.75 years. The discount reflects the restrictions on selling the shares. The shares will be freely tradable on March 7, 2009.

At June 30, 2007, the cost of the Company's marketable securities was \$62,364,771(2006 - \$6,427,510) and the market value of such securities was \$79,017,811 (2006 - \$19,121,265).

4. Loan Payable

The loan payable of \$1,138,268 from Caldwell Financial Ltd. ("CFL") to the Company was repaid in full on March 13, 2007.

5. Margin Debt

The Company has a margin account with BMO Nesbitt Burns, using NYSE Euronext shares as security. The current interest rate is 8.25% and interest is accrued daily.

6. Share Capital

Share capital consists of the following:

	2007		2006	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited Non-Voting Class A shares				
Issued – common shares				
Balance, beginning of year	10,000,000	\$ 7,998,893	9,000,000	\$6,098,893
Balance, end of period	10,000,000	\$ 7,998,893	9,000,000	\$6,098,893
Issued – Non-Voting Class A shares				
Balance, beginning of year	-	-	-	-
New issue (a)(c)	16,129,100	\$ 45,790,184	-	-
New issue over-allotment (b)	2,419,000	6,928,016	-	-
Balance, end of period	18,548,100	\$ 52,718,200	-	-
Issued – Non-Voting Class A share purchase warrants				
Balance, beginning of year	-	-	-	-
New issue (a)(c)	8,064,550	\$ 806,455	-	-
New issue over-allotment (b)	1,209,500	120,950	-	-
Balance, end of period	9,274,050	\$ 927,405	-	-
Total Share Capital	28,548,100	\$ 61,644,498	9,000,000	\$6,098,893

- (a) On January 11, 2007 the Company issued 16,129,100 units (the "Units") at a price of \$3.10 for gross proceeds of \$50,000,210. Each Unit consisted of one Non-Voting Class A Share ("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. Immediately upon closing, each Unit separated into one Non-Voting Class A Share and one-half of one Warrant. The Warrants were valued at \$0.10 per Warrant and the net proceeds were allocated to the share capital. The agency fee and agents expenses paid to the agents in connection with the offering were \$3,063,571.

- (b) On January 29, 2007 an over-allotment option granted to the agents acting in connection with the unit offering was exercised. The Company issued an additional 2,419,000 Non-Voting Class A Shares at a price of \$3.05 per share and an additional 1,209,500 Warrants at a price of \$0.05 per each half Warrant for a total gross proceeds of \$7,498,900 to the Company. The Warrants were valued at \$0.10 per Warrant and the net proceeds were allocated to the share capital. The agency fee related to the sale of these securities was \$449,934.
- (c) Other expenses related to the offering of units were \$340,000.
- (d) On January 11, 2007 the listing of the Company's common shares was graduated from the TSX Venture Exchange to the Toronto Stock Exchange. On the same date the Company's Non-Voting Class A shares and warrants to purchase Non-Voting Class A shares were listed for trading on the Toronto Stock Exchange.

7. Related Party Transactions

CFL is a significant shareholder of the Company and under common management. Caldwell Asset Management Inc. ("CAM"), Caldwell Investment Management Ltd. ("CIM") and Caldwell Securities Ltd. ("CSL") are subsidiaries of CFL.

In the six month period ended June 30, 2007 no consulting fees were received from CIM (2006 - \$90,000).

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, interest paid to CFL in respect of the loan payable (note 4) was \$14,766 (2006 - \$33,936).

In the six month period ended June 30, 2007, no rent was paid by Urbana (2006 - \$30,000 to CSL which was included in administrative expenses).

Included in accounts payable and accrued liabilities is \$306,457 (2006 – \$74,127) payable to related parties which are all under common management to the Company.

In the six month periods ended June 30, 2007 and June 30, 2006, the Company owned units of the Caldwell Growth Opportunities Fund, a fund with common management to the Company.

All related party transactions are recorded at their exchange amounts.

8. Reconciliation of Net Asset Value

The impact of the adoption of Section 3855 on the net asset value of the Company as at June 30, 2007 is as follows:

Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV per share	GAAP NAV per share
\$74,082,690	\$(93,128)	\$73,989,562	\$2.59	\$2.59

9. Subsequent Events

On July 12, 2007 the Company completed a short form prospectus offering (the “Offering”) of 24,193,600 units (the “Units”) at a price of \$3.10 per Unit for a 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 Series A 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 completion of the Offering. As a result of the completion of the Offering, the corporation issued 24,193,600 Non-Voting Shares and 12,096,800 Series A Warrants. The agency fee and other expenses related to the Offering of these units are \$3,403,571.

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 August 1, 2007, the Agents exercised the Over-Allotment Option and purchased 1,192,395 Non-Voting Class A Shares and 596,197 Series A Warrants. Gross proceeds to Urbana from the Agents’ exercise of the Over-Allotment Option were \$3,696,424. The Non-Voting Class A Shares and the Series A Warrants are listed and traded on the Toronto Stock Exchange along with Urbana’s common shares. The agency fee and other expenses related to the offering of the over-allotment are \$449,934.

In July 2007, Urbana purchased three additional seats on the Chicago Board Option Exchange (“CBOE”), 450 shares of the Philadelphia Stock Exchange (“PHLX”) and 15,000 additional shares of the Bermuda Stock Exchange (“BermudaSE) and one additional seat on the Kansas City Board of Trade (“KCBOT”). The costs associated with these investments were \$8,256,123, \$583,022, \$317,480 and \$494,413 respectively.

The CBOE, PHLX, BermudaSE, and the KCBOT are private entities.