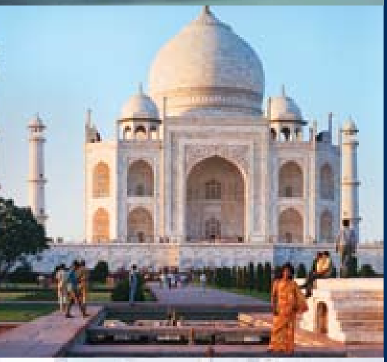


URBANA CORPORATION

ANNUAL REPORT

2007

Corporate Information

EXECUTIVE OFFICE:

150 King Street West
Suite 1702, Toronto, Ontario
M5H 1J9
Telephone: (416) 595-9106
Facsimile: (416) 862-2498

TRANSFER AGENT & REGISTRAR:

CIBC Mellon Trust Company
P.O. Box 7010,
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9

AUDITORS: PKF Hill LLP

41 Valleybrook Drive
Suite 200
Toronto, Ontario
M3B 2S6

INDEPENDENT REVIEW COMMITTEE:

Robert Guilday

H. Clifford Hatch Jr.

Sharon Kent

DIRECTORS & OFFICERS OF THE COMPANY:

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

John R. Campbell, Q.C.
Director and Corporate Secretary
Toronto, Ontario

Bethann Colle
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

George Mencke
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer
Toronto, Ontario

Urbana Corporation's Common Shares, Non-Voting Class A Shares and Warrants are listed for trading on the Toronto Stock Exchange.
Ticker Symbols:
URB (Common Shares)
URB.A (Non-Voting Class A Shares)
URB.WT (Warrants)
URB.WT.A (Series A Warrants)
Website: www.urbanacorp.com

2007 Report To Shareholders

The year 2007 was extremely productive for Urbana Corporation ("Urbana"). The following points summarize our corporate progress:

1) Our equity increased from approximately $27 million to over $260 million.
2) We diversified our investment portfolio from three securities exchanges to eighteen securities exchanges around the world.
3) From the beginning to the end of the year Urbana's net asset value per share increased from $2.69 to $3.37, a 25% increase. The annually compounded return for the three year period ended December 31, 2007 for the net asset value per share was 68.06%. This return compares to a 16.93% compounded return over that time for the S&P TSX Composite Index.

This exceptional performance was achieved in spite of an approximate 16% decline in the value of NYSE Euronext, one of our largest positions.

We believe the securities exchange business remains an extremely promising sector for investment. Exchanges are essentially agency operations without significant liabilities or major credit risks.

They are, in essence, toll roads linked to economic activity in that whatever works well in a given economy will eventually become listed on an exchange and thus generate listing, maintenance, trading and data revenues.

The sector also provides a superlative means of participating in economic growth internationally, without specific company risk.

There are, of course, competitive and regulatory challenges, but exchanges have been proven over time to be the most efficient means of allocating investment capital toward productive entrepreneurial usage. They are, as a consequence, a key driver of economic growth.

The publicly owned securities exchanges represent a relatively new investment category and as such there are numerous pricing inefficiencies. This provides opportunities for organizations such as ours which have had a long and successful involvement in the sector.

To summarize our activities, Urbana invests across the exchange sector, from cash markets to derivatives and from private, mutually owned exchanges, to those which are publicly traded. We do this on a world-wide basis and currently have investments in over 20 exchanges.

We are long term, minority investors who see exchanges as a means to participate in a region's growth. A key value we add is that of creating international investor profile for those exchanges in which we invest. This, in turn, promotes interest in the securities trading on those exchanges and also in their regions.

Profile for an exchange comes before everything else as it reflects overall securities regulation, legal systems, political stability, growth potential and corporate governance.

We have also provided assistance through the demutualization process, communicating the merits of a publicly traded exchange to governments, regulators and boards of directors. These efforts can significantly expedite matters as events in this sector are moving rapidly.

The rewards for owning private organizations, which become publicly traded, are substantial. Further, publicly owned exchanges such as NYSE Euronext are still in a growth mode.

We cover both sectors and are actively building Urbana's inventory of exchanges.

On behalf of the Board of Directors
Thomas S. Caldwell, C.M.
CEO

An Overview of Some of Our Worldwide Holdings

(See chart on page 12 for full listing)

There are a large number of securities exchanges operating around the world, far more than most realize. We conduct detailed research on a smaller sub-set of exchanges that:

- Demonstrate a willingness and ability to become for-profit, and become public; *(see next page)*

Budapest

Budapest Stock Exchange

Three years after Hungary joined the European Union in 2004, one of the most important symbols of its economy, the Budapest Stock Exchange, celebrated its 17th anniversary and the 12th anniversary of its futures market.

New York

New York Stock Exchange

With its origins dating back to 1792, the "Big Board" is – arguably - the most famous stock exchange in the world and exists as the premier listing venue for major corporations in both the United States and around the globe.

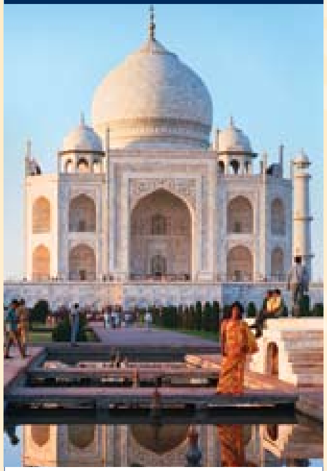
Chicago

Chicago Board Options Exchange ("CBOE")

The CBOE was founded in 1973 as the first options exchange in the U.S. It remains the largest of the six U.S. options exchanges and is the last yet to become publicly traded or consolidated into a larger exchange group.

- Are involved in expanding business activity, such as derivatives, proprietary products and clearing;
- Are located in economies that are expanding rapidly, such as India and China;
- Allow investors like Urbana to acquire ownership interests (memberships, shares).

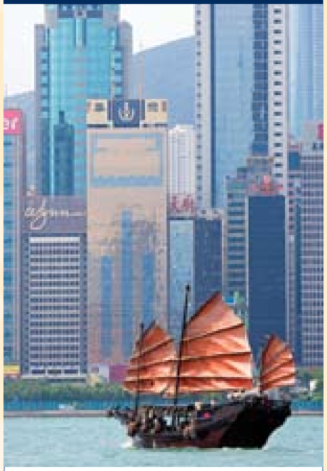
Bombay



Bombay Stock Exchange

Created in 1875, the Bombay Stock Exchange, Asia's oldest exchange, has come a long way to demutualize in 2007. Located in India's financial capital, the exchange has been the backbone of Indian capital markets.

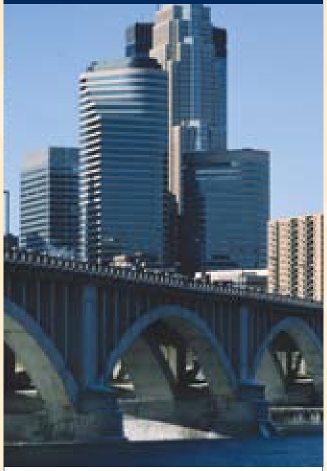
Hong Kong



Hong Kong Stock Exchange

The second largest exchange in Asia, the Hong Kong Stock Exchange represents an important gateway for western capital into Chinese capital markets and a proxy to China's massive growing economy.

Minneapolis



Minneapolis Grain Exchange ("MGEX")

Since its inception in 1881, MGEX has been the principal market for hard red spring (HRS) wheat; first as a cash market, then as a futures and options market. It has provided valuable price discovery and risk management services to producers and consumers involved in volatile commodities markets around the world.

Investing in a country's securities exchange is the best way to participate in the growth of that nation.

Amended and Restated

Annual Management Report Of Fund Performance

for the year ended December 31, 2007

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 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 value 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 include direct or indirect holdings in the Chicago Board Option Exchange ("CBOE"), the Bombay Stock Exchange ("BSE"), the Philadelphia Stock Exchange ("PSE"), the Kansas City Board of Trade, the American Stock Exchange, 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.

A substantial number of equity and derivative exchanges in the world are private companies or not-for-profit.

We believe, within five years, every major exchange in the world will be publicly owned or acquired by an existing public exchange.

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.

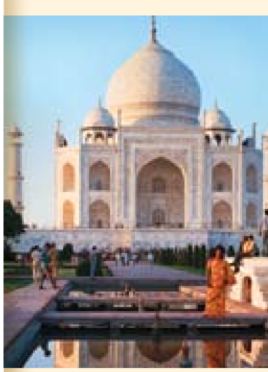
Management believes that these factors will continue to be significant drivers for revenue growth and increasing profitability in the industry for the foreseeable future.

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. Later on, he joined 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.

As exchanges become publicly owned, operating margins expand.

Once conversion to a public company is complete, exchanges and their shareholders can take up to three years to fully realize the benefits.

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.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.

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.

RESULTS OF OPERATIONS

Urbana's net shareholders' equity grew from $26,917,127 at the end of 2006 to $262,841,278 at the end of 2007, an increase of $235,924,151. This increase was the result of $223,379,323 additional capital raised through the issuance of Non-Voting Class A Shares and Non-Voting Class A Share purchase warrants, the exercise of warrants during 2007 (see "Addition of Capital" below), and an operating gain of $12,637,956, with an accounting adjustment of $93,128 decrease in net assets due to change of accounting policy. Net asset value per common share was $3.37 per share as of December 31, 2007 compared to $2.69 ($2.68 after adjustment due to change of accounting policy) as of December 31, 2006, representing an increase of 25.28%. 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.

Addition of Capital

(i) Public Offering in January 2007

On January 11, 2007 Urbana completed a short form prospectus offering (the "First Offering") of 16,129,100 units (the "First Offering Units") at a price of $3.10 per unit for gross proceeds of $50,000,210. Each First Offering 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 First Offering Units separated into Non-Voting Class A Shares and Warrants immediately upon the completion of the First Offering. As a result of the completion of the First Offering, the Company issued 16,129,100 Non-Voting Class A Shares and 8,064,550 Warrants. Concurrent to the closing of the First 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 First Offering, the syndicate of agents for the First Offering (the "First Offering Agents") was granted the option to purchase, within 30 days of the completion of the First Offering (the "First 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 additional 1,209,500 Warrants at a price of $0.05 per each half Warrant. On January 29, 2007, the First Offering Agents exercised the First Over-Allotment Option in full for gross proceeds of $7,498,900 to Urbana. As a result of the full exercise of the First Over-Allotment Option, Urbana issued an additional 2,419,000 Non-Voting Class A Shares and 1,209,500 Warrants.

(ii) Public Offering in July 2007

On July 12, 2007, Urbana completed a second short form prospectus offering (the "Second Offering") of 24,193,600 units (the "Second Offering Units") at a price of $3.10 per unit for gross proceeds of $75,000,160. Each Second Offering Unit consisted of one Non-Voting Class A Share and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a "Series 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 Second Offering Units separated into Non-Voting Class A Shares and Series A Warrants immediately upon the completion of the Second Offering. As a result of the completion of the Second Offering, Urbana issued 24,193,600 Non-Voting Class A Shares and 12,096,800 Series A Warrants.

In connection with the Second Offering, the syndicate of agents for the Second Offering (the "Second Offering Agents") was granted the option to purchase, within 30 days of the completion of the Second Offering (the "Second 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 Second Offering Agents partially exercised the Second Over-Allotment Option for gross proceeds of $3,696,424. As a result of the partial exercise of the Second Over-Allotment Option, Urbana issued an additional 1,192,395 Non-Voting Class A Shares and 596,197 Series A Warrants.

(iii) Addition to Capital from Rolling in Assets of Certain Caldwell Limited Partnerships

Pursuant to a Purchase and Sale Agreement dated October 25, 2007, Urbana purchased from Caldwell New York Limited Partnership, Caldwell New York LP II and Caldwell New York LP IV (the "Caldwell LPs") a total of 799,796 unrestricted NYSE Euronext common shares, 444,810 restricted NYSE Euronext common shares (not freely tradeable until after March 7 2009) and $1,994,535 Canadian Treasury bills. As consideration for these NYSE Euronext shares and Canadian Treasury bills, Urbana issued from its treasury 23,802,337 Non-Voting Class A shares to the Caldwell LPs, of which 7,867,597 were subject to trading restrictions until March 7, 2009. This transaction represents an addition of $91,746,119 to the capital of Urbana. Urbana and the Caldwell LPs were related parties in that both Urbana and the Caldwell LPs were under the same management. This transaction was carried out with all necessary and appropriate regulatory and stakeholders' approvals.

(iv) Exercise of Warrants

During the year of 2007, 272,675 Warrants and 52,411 Series A Warrant of Urbana were exercised. As a result of the exercise of these warrants, 325,086 Non-Voting Class A Shares were issued and the net amount of $1,219,073 was added to the shareholder's equity.

The acquisition of derivative exchanges by stock exchanges is the prevailing merger trend as stock exchanges look to increase margins and achieve greater growth.

The best way to participate in the global economy is to own the engines through which the money flows: the world's securities exchanges.

Acquisitions And Dispositions Of Exchange Properties

In 2007, Urbana made the following acquisitions and dispositions of exchange properties:

- The Bombay Stock Exchange investment shown below represents Urbana's proportionate interest in the Bombay Stock Exchange held by Caldwell India Holdings Inc. ("CIH Inc.") as opposed to the consolidated interest shown in the financial statements.

Acquisitions

Investment	Quantity	Type of Securities	Cost
Chicago Board Option Exchange	17	seats	45,175,556
Bombay Stock Exchange (shares held by CIH Inc.)	182,985	shares	25,774,017
NYSE Euronext (roll in from Caldwell LPs)	1,244,606	shares	99,893,634
TSX Group Inc.	150,000	shares	6,504,982
Hong Kong Exchange & Clearing Ltd.	160,000	shares	2,052,594
Montreal Exchange Inc.	188,000	shares	6,188,820
Winnipeg Commodity Exchange	26,000	shares	1,040,000
London Stock Exchange	132,000	shares	4,301,431
American Stock Exchange	23	seats	9,018,718
Minneapolis Grain Exchange	31	seats	7,462,819
Philadelphia Stock Exchange	950	shares	1,264,362
Kansas City Board of Trade	8	seats	4,614,609
Osaka Securities Exchange	200	shares	1,261,887
Singapore Exchange Ltd.	112,000	shares	511,929
JSE Ltd.	56,000	shares	487,160
Bermuda Stock Exchange	24,683	shares	533,099
Bovespa Holdings S.A.	27,000	shares	3,436,547
Deutsche Boerse AG	4,000	shares	454,586
Bolsa de Mercadorias & Futuros	300,000	shares	3,385,413
			223,362,163

Dispositions

Investment	Quantity	Type of Securities	Total Proceeds
Hong Kong Exchange & Clearing Ltd.	80,000	shares	2,392,947
Winnipeg Commodity Exchange	26,000	shares	2,017,340
			4,410,287

RECENT DEVELOPMENTS

Change in Accounting Policy

On April 1, 2005, The Canadian Institute of Chartered Accountants, which establishes Canadian Generally Accepted Accounting Principles ("GAAP") for financial reporting purposes, issued Section 3855, "Financial Instruments – Recognition and Measurement", which addresses the classification, recognition and measurement of financial instruments. This section, which came into effect on October 1, 2006, was initially applicable to Urbana's year ending December 31, 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 Urbana's marketable securities as reported in the consolidated 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, 2008. In accordance with the relief granted by the CSA, a reconciliation between the GAAP NAV and the Transactional NAV is required in the notes to the financial statements. 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 Urbana in using either of these methods.

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 has established an independent review committee (IRC) in accordance with NI 81-107. The role of the IRC is to consider and provide recommendations to the Investment Manager on conflicts of interests to which the Investment Manager is subject when providing investment management services to Urbana. The IRC will report annually to the securities holders of Urbana as required by NI 81-107. The Investment Manager 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 Masters 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.,

No matter how well an economy is doing, the shares of securities exchanges tend to outperform the stocks listed on them.

Owning a national exchange gives investors exposure to whatever is profitable in that nation.

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 and a Master of Business Administration from Harvard 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.

Related Party Transactions

Caldwell Financial Ltd. ("CFL") is a significant shareholder of Urbana and under common management. Caldwell Asset Management Inc. ("CAM"), Caldwell Investment Management Ltd. ("CIM") and Caldwell Securities Ltd. ("CSL") are subsidiaries of CFL. In 2007 and 2006 investment management fees of $1,899,428 and $342,298 respectively were paid to CIM and CSL. In 2006 premises were rented from CSL and CAM for $55,000 ($nil in 2007). In 2006 consulting fees of $90,000 were received from CIM ($nil in 2007). Interest paid to CFL in respect of a loan payable was $70,212 in 2006 ($nil for 2007). As at December 31, 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.

In 2007 Urbana purchased the NYSE Euronext shares and treasury bills held by certain limited partnerships managed by CIM. Details of this transaction are provided in the section of "Results of Operations" – Addition of Capital - (iii) above.

Subsequent to its establishment, the IRC of Urbana has made a recommendation to Urbana and CIM to execute portfolio transactions through CSL, 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 table shows selected key financial information about Urbana and is intended to help you understand Urbana's financial performance for the past three years. This information is derived from Urbana's annual financial statements.

Urbana's Net Asset Value (NAV) per Share(1)	**2007**	**2006**	**2005**
Net asset value, beginning of year	$ 2.68	$ 1.26	$ 0.71
Total Investment income for the year	0.06	0.04	0.04
Total expenses for the year, including future taxes	0.17	(0.37)	(0.13)
Realized gains/losses for the year	0.06	0.02	(0.02)
Unrealized gains for the year	0.31	1.78	0.66
Distributions	nil	nil	nil
Net asset value, end of year(2)	3.37	2.69	1.26

(1) Net asset value is 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.

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

(3) The net asset values at the beginning and at the end of the 2007 period are shown as GAAP NAV as per the accounting change described in "Recent Development" above. The net asset values for all prior periods are shown as Transactional NAV.

RATIOS AND SUPPLEMENTAL DATA

	2007	2006	2005
Net Assets(1)	$262,841,278	$26,917,127*	$11,334,873*
Shares outstanding(1)	78,061,518	10,000,000	9,000,000
Management Expense Ratio(2)	2.99%	4.60%(3)	3.25%
Management Expense Ratio before waivers or absorptions	3.37%	0.00%	0.00%
Portfolio Turnover Ratio(4)	0.03%	10.17%	8.03%*
Trading Expense Ratio(5)	0.00%	0.00%	0.18%*
Closing Market Price (common shares)	$5.40	$3.00	$2.00
Closing Market Price (Class A shares)	$5.15	-	-

* revised from 2006 annual MRFP.

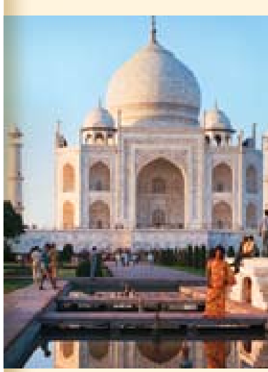
(1) This information is provided as at December 31 of the year shown.

(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 corporation's investment manager manages its 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.



Increasing volumes continue to be a major driver of profitability for exchanges. Fees charged per transaction go directly to the bottom line in this fixed-cost environment.

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, and regulatory filings. During the year ended December 31, 2007, investment management fees of $1,899,428 were paid to CIM. The investment management fees are accrued and paid quarterly in arrears.

Exchanges are inherently democratic. They drive the free allocation of capital towards its most efficient economic usage.

Past Performance

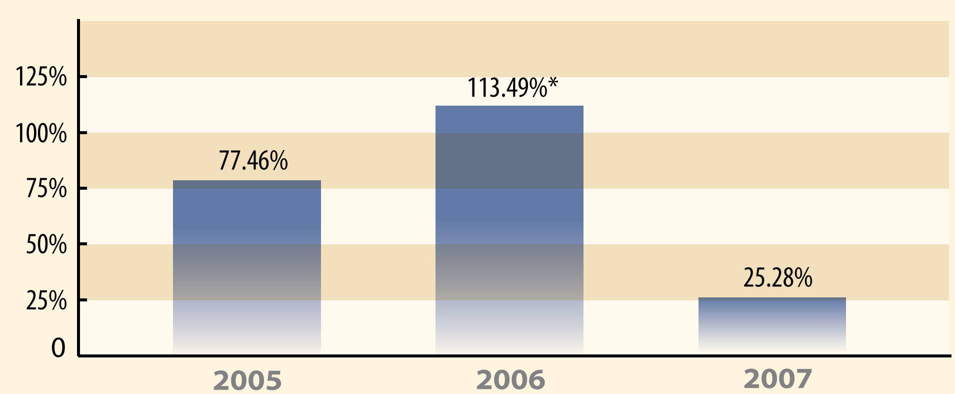
The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

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 Transactional NAV (as opposed to GAAP NAV).

Urbana's Non-Voting Class A Shares was first issued on January 12, 2007. The Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, have the same NAV per share as the common shares.

Urbana Corporation: increase in net asset value per common share



*revised from 2006 MRFP.

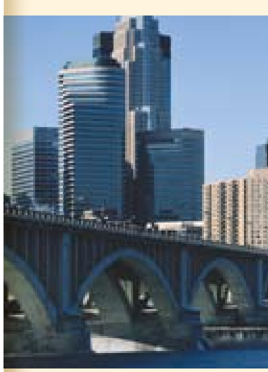
ANNUAL COMPOUND RETURNS

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, 2007), compared with the S&P/TSX Composite Index.

	1 year	3 year and since inception(1)
Urbana Corporation (NAV)	25.28%	68.06%
Urbana Corporation (Market)	7.66%	92.74%
S&P/TSX Composite Index(2)	9.83%	16.93%

(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.



An exchange is similar to a toll road, which becomes more profitable as traffic increases.

Summary Of Investment Portfolio

As at December 31, 2007

- The following market value data are all based on last traded price (as opposed to last bid price).
- The Bombay Stock Exchange investment shown below represents Urbana's proportionate interest in the Bombay Stock Exchange held by CIH Inc. as opposed to the consolidated interest shown in the financial statements.

Number of Shares/Units	Description	Cost	Market Value	% of Portfolio Mkt Value	% of Total Net Asset Value
1,498,703	NYSE Euronext	$ 105,645,352	$ 126,250,583	45.91%	45.70%
18	Chicago Board Options Exchange	46,640,786	55,580,625	20.21%	20.12%
182,985	Bombay Stock Exchange (shares held by CIH Inc.)	25,774,017	23,921,296	8.70%	8.66%
31	Minneapolis Grain Exchange	7,462,819	8,729,864	3.17%	3.16%
23	American Stock Exchange	9,018,718	8,181,468	2.98%	2.96%
150,000	TSX Group Inc.	6,504,982	7,920,000	2.88%	2.87%
200,000	Montreal Exchange Inc.	6,188,820	7,822,000	2.84%	2.83%
8	Kansas City Board of Trade	4,614,609	5,730,980	2.08%	2.07%
275,000	Bovespa Holding SA	3,436,547	5,238,906	1.91%	1.90%
132,000	London Stock Exchange Group	4,301,431	5,125,868	1.86%	1.86%
300,000	Bolsa de Mercadorias & Futuros BM&F S.A.	3,385,413	4,164,842	1.51%	1.51%
80,000	Hong Kong Exchange & Clearing Ltd.	1,026,297	2,241,801	0.82%	0.81%
950	Philadelphia Stock Exchange	1,264,362	1,386,237	0.50%	0.50%
49,440	Caldwell Growth Opportunities Trust	602,669	1,166,990	0.42%	0.42%
112,000	Singapore Exchange Ltd.	511,929	1,030,312	0.37%	0.37%
200	Osaka Securities Exchange Co. Ltd.	1,261,887	926,703	0.34%	0.34%
4,000	Deutsche Boerse AG	454,586	782,931	0.28%	0.28%
56,000	Johannesburg Stock Exchange Ltd.	487,160	703,290	0.26%	0.25%
24,683	Bermuda Stock Exchange	533,099	511,638	0.19%	0.19%
72	Resource Claims	1,094,038	1	0.00%	0.00%
	Cash and Cash Equivalents	7,575,590	7,575,590	2.75%	2.74%
	Total	**$ 237,785,111**	**$274,991,924**	**100.00%**	**99.53%**

The above summary of the investment portfolio may change due to ongoing portfolio transactions. A quarterly update is available at Urbana's website at www.urbanacorp.com

Significant value is created as stock exchanges become public entities.

URBANA
CORPORATION

2007

2007 and 2006 Consolidated Financial Statements

CONTENTS

Auditors' Report

TO THE SHAREHOLDERS OF URBANA CORPORATION

We have audited the consolidated statements of net assets and portfolio of marketable securities of Urbana Corporation (the "Company") as at December 31, 2007 and December 31, 2006, and the consolidated statements of operations, changes in net assets, unrealized net gains on marketable securities and retained earnings (deficit) and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PKF Hill LLP

Chartered Accountants, Licensed Public Accountants
February 14, 2008

URBANA CORPORATION
Consolidated Statements of Net Assets as at December 31

	2007	2006
ASSETS		
Cash	$ 218,666	$ 2,931
Sundry receivables	193,914	20,911
Prepaid expenses	37,280	266,858
Office equipment (note 4)	2,037	2,397
Marketable securities (statement)	291,122,713	31,687,653
Deposit on future investments	1,835,349	-
Resource properties	1	1
	$ 293,409,960	$ 31,980,751
LIABILITIES		
Accounts payable and accrued liabilities	$ 945,054	$ 427,356
Loan payable (note 5)	-	1,138,268
Future income taxes (note 10(b))	12,800,000	3,498,000
	13,745,054	5,063,624
Non-controlling interest (note 3)	16,823,628	-
NET ASSETS	262,841,278	26,917,127
SHAREHOLDERS' EQUITY		
Share capital (note 6)	218,135,737	7,998,893
Contributed surplus (note 7)	13,242,479	-
Unrealized gains on investments (statement)	30,045,874	19,083,957
Retained earnings (deficit) (statement)	1,417,188	(165,723)
	262,841,278	26,917,127
Total liabilities and shareholders' equity	$ 293,409,960	$ 31,980,751
Number of shares outstanding (note 6)	78,061,518	10,000,000
Net asset value per share - basic and fully diluted	$ 3.37	$ 2.69

See accompanying notes

On behalf of the Board:

Director

Director

URBANA CORPORATION
Consolidated Statements of Operations - Years Ended December 31

	2007	2006
Gains/losses		
Gain on sale of marketable securities	$ 2,343,460	$ 196,932
Investment income		
Dividends	839,266	244,147
Consulting income (note 9)	-	90,000
Interest income	1,195,965	1,997
Seat rental income	638,755	41,971
Loss on foreign exchange	(1,118,562)	-
	1,555,424	378,115
Expenses		
Salaries and benefits	-	70,932
Investment management fees (note 9)	1,899,428	342,298
Foreign withholding taxes	246,833	25,121
Transaction costs (note 3)	1,215,129	-
Administrative (note 9)	366,799	99,571
Audit fees	66,980	37,203
Shareholder reporting costs	36,794	18,861
Legal fees	278,035	261,259
Director fees	18,350	13,450
Independent Review Committee fees	1,021	-
License fees	1,045	21,031
Bank charges and interest (note 9)	75,291	71,593
Insurance	31,456	3,000
Amortization	360	599
Expenses absorbed by Manager (note 9)	(466,782)	-
	3,770,739	964,918
Net income (loss) before non-controlling interest, net unrealized gains on marketable securities and income taxes	128,145	(389,871)
Non-controlling interest portion of losses	1,454,766	-
Net income (loss) before net unrealized gains on marketable securities and income taxes	1,582,911	(389,871)
Unrealized net gain on marketable securities	13,133,398	16,566,747
Net income before income taxes	14,716,309	16,176,876
Provision for income taxes (note 10(a))		
Current	-	36,622
Future	2,078,353	2,458,000
	2,078,353	2,494,622
Total results of operations for the years	$ 12,637,956	$ 13,682,254
Basic and fully diluted earnings per share	0.30	1.47
Weighted average number of shares outstanding	41,882,629	9,333,333

See accompanying notes

URBANA CORPORATION

Consolidated Statements of Changes in Net Assets, Unrealized Net Gains on Marketable Securities and Retained Earnings (Deficit)

Years Ended December 31

	2007	2006
Net assets		
Net assets, beginning of years as previously stated	$ 26,917,127	$ 11,334,873
Restatement on change in accounting policy (note 1)	(93,128)	-
Net assets, beginning of years as restated	26,823,999	11,334,873
Operating activities		
Total results of operations for the years	12,637,956	13,682,254
Capital transactions		
Issuance of shares (net of expenses) (note 6)	208,917,771	1,900,000
Exercise of warrants	1,219,073	-
Issuance of warrants - contributed surplus	13,242,479	-
Total capital transactions	223,379,323	1,900,000
Net assets, end of years	$ 262,841,278	$ 26,917,127
Unrealized net gains on marketable securities		
Unrealized net gains on marketable securities, beginning of years as previously stated	$ 19,083,957	$ 5,011,832
Restatement on change in accounting policy (note 1)	(93,128)	-
Unrealized net gains on marketable securities, beginning of years as restated	18,990,829	5,011,832
Change during the years	13,133,398	16,566,747
Provision for income taxes	(2,078,353)	(2,494,622)
Unrealized net gains on marketable securities, end of years	$ 30,045,874	$ 19,083,957
Retained Earning (deficit)		
Retained earnings (deficit), beginning of years	$ (165,723)	$ 224,148
Net gain (loss) before unrealized net gains on investments and income taxes	1,582,911	(389,871)
Retained earnings (deficit), end of years	$ 1,417,188	$ (165,723)

See accompanying notes

URBANA CORPORATION
Consolidated Statements of Cash Flows
Years Ended December 31

	2007	2006
Operating activities		
Total results of operations for the years	$ 12,637,956	$ 13,682,254
Add (deduct) items not involving cash		
Amortization	360	599
Gain on sale of marketable securities	(2,343,460)	(196,932)
Unrealized gain - marketable securities (net of change in accounting policy (note 1))	(13,244,929)	(16,566,747)
Future income taxes	2,078,353	2,458,000
	(871,720)	(622,826)
Net change in non-cash working capital items		
Sundry receivables	(173,003)	(16,121)
Prepaid expenses	229,578	(266,858)
Accounts payable and accrued liabilities	517,698	377,655
	574,273	94,676
Cash flows from operating activities	(297,447)	(528,150)
Financing activities		
Repayment of loan payable	(1,138,268)	-
Issuance of loan payable	-	20,000
Issuance of shares (net of expenses)	114,021,784	1,900,000
Exercise of warrants	1,219,073	-
Issuance of share warrants - contributed surplus	13,492,347	-
Cash flows from financing activities	127,594,936	1,920,000
Investing activities		
Purchases of marketable securities - net of non-controlling interests	(129,656,692)	(2,180,306)
Proceeds on sale of marketable securities	4,410,287	720,000
Deposits on future investments	(1,835,349)	-
Cash flows from investing activities	(127,081,754)	(1,460,306)
Net change in cash during the years	215,735	(68,456)
Cash, beginning of years	2,931	71,387
Cash, end of years	$ 218,666	$ 2,931
Supplemental cash flow information - non-cash transactions		
Class A shares issued for NYSE Euronext shares and T-Bills	$ 101,888,169	$ -
Future tax obligation purchased with the NYSE Euronext shares accounted for as a reduction in share capital	(10,142,050)	-
Exercise of warrants to share capital	249,868	-
Future tax impact of share issuance costs	2,900,000	-

See accompanying notes

URBANA CORPORATION

Consolidated Statements of Portfolio of Marketable Securities
Years Ended December 31, 2007 and December 31, 2006

		2007	
Number	**Description**	**Cost**	**Market Value**
	Resource properties		
72	Resource claims - Urban Township	$ 1,094,038	$ 1
	Privately owned entities		
23	American Stock Exchange (seats)	$ 9,018,718	$ 7,979,965
8	Kansas City Board of Trade (seats)	4,614,609	5,749,540
31	Minneapolis Grain Exchange (seats)	7,462,819	8,758,136
18	Chicago Board Options Exchange (seats)	46,640,786	55,767,958
308,888	Bombay Stock Exchange (shares held by CIHI)	43,507,793	40,380,310
950	Philadelphia Stock Exchange (shares)	1,264,362	1,200,712
		112,509,087	119,836,621
	Publicly traded securities		
49,440	Caldwell Growth Opportunities Trust (units)	602,669	1,166,778
200,000	Montreal Exchange Inc.	6,188,820	7,794,000
1,498,703	NYSE Euronext (note 12)	105,645,352	126,309,217
150,000	TSX Group Inc.	6,504,982	7,920,000
300,000	Bolsa De Mercadorias & Futuros BM&F S.A.	3,385,413	4,121,618
24,683	Bermuda Stock Exchange	533,099	503,223
4,000	Deutsche Boerse AG	454,586	783,440
132,000	London Stock Exchange Group	4,301,431	5,120,069
200	Osaka Securities Exchange Co. Ltd.	1,261,887	925,083
275,000	Bovespa Holding SA	3,436,547	5,089,435
56,000	Johannesburg Stock Exchange Ltd.	487,160	709,632
80,000	Hong Kong Exchange & Clearing Ltd.	1,026,297	2,238,047
112,000	Singapore Exchange Ltd.	511,929	1,029,960
		134,340,172	163,710,502
	Fixed income		
	Cda T Bill 24 Jan 2008	7,575,590	7,575,590
		$ 254,424,849	$ 291,122,713

See accompanying notes

URBANA CORPORATION
Consolidated Statements of Portfolio of Marketable Securities (continued)
Years Ended December 31, 2007 and December 31, 2006

		2006	
Number	**Description**	**Cost**	**Market Value**
	Resource properties		
72	Resource claims - Urban Township	$ 1,094,038	$ 1
	Privately owned entity		
1	Chicago Board Options Exchange (seat)	$ 1,465,230	$ 2,039,275
	Publicly traded securities		
49,440	Caldwell Growth Opportunities Trust (units)	602,669	1,070,603
254,097	NYSE Group Inc. (now NYSE Euronext)	5,751,720	28,313,335
4,000	Montreal Exchange Inc.	264,440	264,440
		6,618,829	29,648,378
		$ 8,084,059	$ 31,687,653

See accompanying notes

1. Change in Accounting Policy

On April 1, 2005, The Canadian Institute of Chartered Accountants, which establishes Canadian Generally Accepted Accounting Principles ("GAAP") for financial reporting purposes, issued Section 3855, "Financial Instruments - Recognition and Measurement", which addresses the classification, recognition and measurement of financial instruments. This section, which came into effect on October 1, 2006, was initially applicable to the Company's year ending December 31, 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 marketable securities as reported in the consolidated financial statements.

The Canadian Securities Administrators ("CSA") has granted interim relief to investment funds from complying with Section 3855's requirement for calculating the investment funds' net asset values for purposes other than financial statements. The relief currently expires on September 30, 2008. 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 (note 11).

Section 3855's requirements are applied retroactively but without restatement of prior periods. The adjustment of financial assets is calculated as an adjustment to the balance of net assets at the start of the fiscal year. Accordingly, the opening balance of the marketable securities was reduced by $111,531 from $31,687,653 to $31,576,122. 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 from the proceeds of sale. There are no tax implications and no impact on the net asset value of the Company under either of these methods.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its 59.24% owned subsidiary, Caldwell India Holdings Inc. (note 3). All inter-company balances have been eliminated.

2. Summary of Significant Accounting Policies - continued

Foreign exchange

The monetary assets and liabilities of the Company's integrated foreign subsidiary are translated into Canadian dollars at exchange rates in effect at the consolidated 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, sundry receivables, marketable securities and accounts payable and accrued liabilities.

Cash, sundry receivables and accounts payable and accrued liabilities approximate fair value due to their short-term maturities. Marketable securities are classified as held-for-trading financial instruments, and as such, are recorded at fair value. Unrealized gains and losses on these assets are recognized in the statement of operations.

Office equipment

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

Marketable securities

Marketable securities are classified as held for trading. Those that trade in active markets are valued at the respective closing bid prices; otherwise they are recorded at fair value. Fair value is determined using available sources of information and commonly used valuation techniques.

Common shares of NYSE Euronext are valued at market less a discount in respect of shares with sales restrictions (note 12).

Fair value for privately owned entities is established by the most recent sale of memberships preceding the year end and translating this amount using the year end foreign currency exchange rate.

For privately owned entities with no active market, fair value is established using the cost amount and translating this amount using the year end foreign currency exchange rate. The Company tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the privately owned entities may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the privately owned entities are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

Resource properties

Resource properties and related expenditures are recorded at cost, net of incidental revenues generated from the particular mineral properties. These net costs are

2. Summary of Significant Accounting Policies - continued

deferred until the mineral properties to which they relate are placed into production, sold or abandoned.

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

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

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.

Revenue recognition

Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Dividend income is recorded on the ex-dividend date. Interest income and securities lending revenue are recognized as earned.

Rental revenue from exchange memberships is recognized over the term of the lease contract, on a straight-line 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.

Recent changes to accounting standards

The Canadian Institute of Chartered Accountants has recently issued several new accounting standards. Of those issued with an implementation date applicable after 2007, the following could impact the Company.

Section 1535, Capital Disclosures, is effective for fiscal years beginning on or after October 1, 2007. This section describes the required disclosure of the Company's objectives, policies and processes for managing capital, as well as its compliance with any externally imposed capital requirements.

Section 1400, Going Concern is effective for fiscal years beginning on or after January 1, 2008 and requires management to make an assessment of an entity's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity's ability to continue as a going concern.

Section 3862, Financial Instruments is effective for fiscal years beginning on or after October 1, 2007 and places an increased emphasis on risk disclosures. Entities are required to provide both qualitative and quantitative information about exposures to risks arising from financial instruments, including credit, interest rate, liquidity, currency and other price risks. This section also requires disclosure on the pledging of collateral, details on any defaults in the terms or covenants of loans payable, and methods in determining fair values of financial instruments. This section also requires enhanced disclosures for financial instruments.

The impact of the adoption of these new standards on the consolidated financial statements is not expected to be significant.

3. Acquisition of Caldwell India Holdings Inc.

During 2007, the Company subscribed for 100 common shares, at US$1 per share, for Caldwell India Holdings Inc. ("CIHI"), a newly incorporated corporation. 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 was $44,843,950, of which the Company provided $26,565,556. The remaining $18,278,394 has been accounted for as a non-controlling interest. CIHI, from the proceeds of the share issuance, purchased 308,888 equity shares of the Bombay stock exchange for $43,507,793. Transaction costs of $1,134,552 were expensed and presented in the statement of operations.

Non-controlling interest consists of the following:

Non-controlling interest - share capital	$ 18,278,394
Non-controlling interest - share of losses	(1,454,766)
	$ 16,823,628

4. Office Equipment

Office equipment consists of the following:

	2007		
	Cost	**Accumulated Amortization**	**Net**
Office equipment	$22,130	20,093	$2,037

	2006		
	Cost	**Accumulated Amortization**	**Net**
Office equipment	$22,130	19,733	$2,397

5. Loan Payable

The loan payable of $Nil (2006 - $1,138,268) from Caldwell Financial Ltd. ("CFL") (note 9) was secured by a promissory note and was to mature on December 31, 2010 with a right to prepayment without penalty. In fiscal 2006, CFL charged the Company interest at prime plus 1% for funds borrowed on the Company's behalf ($1,050,000 at year end) and interest at 3% on the remainder ($88,268 at year end). In 2007, CFL did not charge the Company any interest and the Company repaid the loan in full.

6. Share Capital

Share capital consists of the following:

	Number		Amount
Authorized			
Unlimited preferred shares			
Unlimited common shares			
Unlimited Non-Voting, fully participating Class A shares			
Issued - common shares			
Balance, January 1, 2006	9,000,000	$	6,098,893
Private placement (a)	1,000,000		1,900,000
Balance, December 31, 2006 and 2007	10,000,000	$	7,998,893
Issued - Non-Voting Class A shares			
Balance, January 1, 2006 and 2007	-	$	-
January 11 short form prospectus (b)	18,548,100		46,504,724
July 12 short form prospectus (c)	25,385,995		67,517,060
Issuance of shares for NYSE Euronext shares (d)	23,802,337		91,746,119
Exercise of warrants into Class A shares	325,086		1,468,941
Future tax impact of share issuance costs	-		2,900,000
Balance, December 31, 2007	68,061,518	$	210,136,844
Total	78,061,518	$	218,135,737

(a) August 31, 2006, the Company issued 1,000,000 common shares, at $2 per share as a private placement for total cash proceeds of $2,000,000 less share issuance costs of $100,000.

(b) On January 11, 2007, the Company completed a short form prospectus offering (the "Offering") of 16,129,100 units of the Company (the "Units") at a price of $3.10 per Unit for gross proceeds of $50,000,210. Each Unit consisted of one Non-Voting Class A share ("Non-Voting Class A shares") and one half of one Non-Voting Class A share purchase warrant. Immediately upon the closing of the offering, each Unit separated into one Non-Voting Class A share and one-half of one warrant. Each full warrant entitles the holder to purchase one Non-Voting Class A share at a price of $3.75 on or before January 11, 2009.

6. **Share Capital** - continued

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 2,419,000 Non -Voting Class A shares at a price of $3.05 per share and up to an additional 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 the gross proceeds of $7,498,900 to the Company.

Share issuance costs of $340,000 were deducted from the gross share capital proceeds in 2007 in addition to the agent fees of $3,000,013 on the Offering and $449,934 on the Over-Allotment Option. An additional agent fee representing expenses for the agent totalling $63,558 was also deducted from the gross share capital proceeds.

Of the $ 53,645,605 total proceeds, $7,140,881 was attributed to the warrants (note 7) and the remaining $46,504,724 was attributed to the Non-Voting Class A shares. The grant date fair value of the warrants were determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.05%
Expected volatility	48.85%
Expected weighted average life of the warrants	2 years
Expected dividend yield	0%

(c) On July 12, 2007, the Company completed a short form prospectus offering (the "July Offering") of 24,193,600 units of the Company (the "July Units") at a price of $3.10 per Unit for gross proceeds of $75,000,160. Each July Unit consisted of one Non-Voting Class A share and one-half of one Non-Voting Class A share purchase warrant. Immediately upon the closing of the July Offering, each July Unit separated into one Non-Voting Class A share and one-half of one warrant. Each full warrant entitles the holder to purchase one Non-Voting Class A share at a price of $3.75 on or before July 12, 2009.

In connection with the July Offering, the syndicate of agents for the July Offering (the "July agents") was granted the option to purchase, within 30 days of the completion of the July Offering (the "July 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 warrants at a price of $0.05 per each half warrant. On August 1, 2007, the July agents exercised a portion of the July Over-Allotment Option and purchased 1,192,395 Non-Voting Class A shares and 596,197 warrants. Gross proceeds from the July Agent's exercise of the July Over-Allotment Option was $3,696,424. The agency fee and other expenses related to the July Over-Allotment Option were $221,785.

The share issuance costs for the July Offering comprised of agent fees of $4,500,010. An additional agent fee representing expenses for the July agent totalling $106,263 was also deducted from the gross share capital proceeds.

Of the $73,868,526 total proceeds, $6,351,466 was attributed to the warrants (note 7) and the remaining $67,517,060 was attributed to the Non-Voting Class A shares. The grant date fair value of the warrants were determined using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.67%
Expected volatility	32.26%
Expected weighted average life of the warrants	2 years
Expected dividend yield	0%

(d) On November 29, 2007, the Company, through a short form prospectus, issued 23,802,337 Non-Voting Class A shares valued at a gross amount of $101,888,169 in consideration for 799,796 unrestricted NYSE Euronext shares valued at $66,215,585 and 444,810 restricted NYSE Euronext shares valued at $33,678,049 and a government treasury bill valued at $1,994,535. The NYSE Euronext shares were acquired by the Company on a tax deferred "rollover" basis. The tax cost of the NYSE Euronext shares to the Company is $61,466,968 lower than the purchased cost to the Company based on the fair market value of the NYSE Euronext shares at the time of the transaction. The Company has assumed a future tax liability of $10,142,050 from the purchase of the NYSE Euronext shares and these have been accounted for as a reduction to share capital. The net proceeds from this issuance of Non-Voting Class A shares is $91,746,119.

Of the 23,802,337 Non-Voting Class A shares issued as part of the above transaction, 7,867,597 of those Class A shares are subject to restrictions that mirror the transfer restrictions on the restricted NYSE Euronext shares which are not transferable or free trading until after March 7, 2009, unless NYSE Euronext removes or abbreviates the transfer restrictions currently applicable.

(e) On May 1, 2007, the Directors, Officers and Employees Stock Option Plan was cancelled by a directors resolution. The Company had reserved for issuance 626,667 common shares without any of these options being granted. As at December 31, 2007, there is no stock option plan outstanding.

7. Contributed Surplus

		Amount
Balance, January 1, 2006 and 2007	$	-
January 11 short form prospectus (note 6 (b))		7,140,881
July 12 short form prospectus (note 6 (c))		6,351,466
Warrants exercised		(249,868)
Balance, December 31, 2007	$	13,242,479

8. Class A Purchase Warrants

A summary of the Company warrants is presented below:

	Number of Warrants		Weighted Average Exercise Price
Outstanding, January 1, 2006 and 2007	-	$	-
Issued (notes 6 (b) and 6 (c))	21,967,047		3.75
Exercised	(325,086)		3.75
Outstanding, December 31, 2007	21,641,961	$	3.75

As at December 31, 2007, the following Class A warrants are outstanding:

	Number of Warrants		Exercise Price	Expiry Date
Class A warrants	8,950,625	$	3.75	January 11, 2009
Class A warrants	12,691,336		3.75	July 12, 2009
	21,641,961	$	3.75	

9. 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 2007 and 2006 consulting fees of $Nil and $90,000 were received from CIM.

In 2007 and 2006 investment management fees of $1,899,428 and $342,298 were paid to CIM and CSL. The Investment Management ("IM") agreement was amended on May 1, 2006. The Investment Manager (CIM) is entitled to an investment advisory fee equal to 1.5% per annum of the market value of the equity securities in the Company's portfolio of marketable securities and .5% of the market value of the fixed income securities in the Company's portfolio of marketable securities. The investment advisory fees are accrued and paid quarterly in arrears. In 2007, CIM, pursuant to its management responsibilities, incurred Urbana related expenditures aggregating to $1,216,804 of which $466,782 related to operating expenses with the remaining $768,022 being for share issuance costs. The 2006 Urbana related expenses incurred by CIM, pursuant to its management agreement with the Company, were considered insignificant.

In 2007 and 2006 premises were rented from CSL and CAM for $Nil and $55,000, and are included in administrative expenses.

Interest paid to CFL in respect of the loan payable (note 5) in 2007 and 2006 amounted to $Nil and $70,212.

Included in accounts payable and accrued liabilities is $769,321 (2006 - $116,414) payable to related parties which are all under common management to the Company.

In 2007 and 2006, marketable securities include units of the Caldwell Growth Opportunities Trust, a fund with common management to the Company.

The purchase of the NYSE Euronext shares described in note 6(d) were from Caldwell New York LP, Caldwell New York LPII and Caldwell New York LP IV. Each of these funds were managed by CIM.

All related party transactions are recorded at their exchange amounts.

10. Income Taxes

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

	2007	2006
Income before income taxes	$ 14,716,309	$ 16,176,876
Expected income taxes rates payable at future rates - 33% (2006 - 33.00%)	$ 4,856,382	$ 5,338,369
Income tax effect of the following:		
Non-taxable portion of realized capital transactions gains	(386,670)	(32,494)
Non-taxable portion of unrealized capital gains	(2,167,011)	(2,733,513)
Decrease in effective income tax rate	-	(36,499)
Non-controlling interest	(240,036)	-
Other	15,688	(41,241)
	$ 2,078,353	$ 2,494,622

10. Income Taxes - continued

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

	2007	2006
Resource deductions available in perpetuity	$ (56,084)	$ (67,264)
Unrealized capital gains on investments	16,000,866	4,043,758
Share issuance costs	(2,900,000)	-
Tax benefit of capital loss carryforwards	-	(189,411)
Tax benefit of non-capital loss carryforwards	(240,772)	(251,239)
Other	(4,010)	(37,844)
Total future income tax liability	$ 12,800,000	$ 3,498,000

c) Future tax expense consists of the following:

	2007	2006
Increase in future tax liability on balance sheet	$ 9,302,000	$ 2,458,000
Add: future tax benefit of share issuance costs reducing the future tax liability and being allocated to share capital (note 6)	2,900,000	-
Less: future tax cost of the acquisition of NYSE Euronext shares using a tax free rollover (note 6(d))	(10,142,050)	-
Add: future tax restatement (note 1)	18,403	-
Future taxes	$ 2,078,353	$ 2,458,000

11. Reconciliation of Marketable Securities Value

The impact of the adoption of Section 3855 on the net asset value of the Company as at December 31, 2007 is as follows:

Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV per share	GAAP NAV per share
$ 291,458,458	$ (335,745)	$ 291,122,713	$ 3.37	$ 3.37

12. Restrictions on Sale of Marketable Securities

At December 31, 2007, 529,509 NYSE Euronext common shares were not freely tradable and can be sold only through approved secondary offerings, or on the date the restriction is lifted, March 7, 2009.

13. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, sundry receivables, prepaid expenses and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The carrying value of marketable securities approximate their estimated fair value in accordance with the valuation policies described in note 2. The majority of the marketable securities are denominated in foreign currencies.

The fair value of the loan payable was not determinable due to the non-arm's length nature of the transaction.

14. Comparative Amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2007 consolidated financial statements.

15. Subsequent Event

As at the audit report date, the market value of the marketable securities controlled by the Company decreased from $291,122,713 to approximately $259,000,000 representing a decline in value of approximately $32,000,000. Management expects that this decline in value is temporary.

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