URBANA CORPORATION

ANNUAL REPORT 2008

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: DELOITTE & TOUCHE LLP

Brookfield Place
181 Bay Street
Suite 1400
Toronto, ON M5J 2V1

INDEPENDENT REVIEW COMMITTEE:

Robert Guilday

H. Clifford Hatch Jr.

Sharon Kent

DIRECTORS & OFFICERS OF THE COMPANY:

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

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

Bethann Colle
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

George Mencke
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer

Harry Liu
Corporate Secretary

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

Website: www.urbanacorp.com

Year-End Report To Shareholders

Clearly, the second half of 2008 was a continuance and indeed an acceleration of the deterioration experienced in the first half of the year.

As we approached year-end, governments around the world initiated a combination of financial market bailout and economic stimulus packages. The former will, in the opinion of management, be successful. It is essential that the banking sector be restored before any broad-based economic revival occurs. Governments recognize this fact.

As of year-end, we wrote down the value of some of the private exchanges held by $3.5 million. Given the volatility of financial markets, we plan to review the value of our private exchange holdings held on a quarterly basis.

Securities exchanges have, despite their lack of toxic assets, participated in the overall market decline. There are concerns regarding a curtailment of trading volumes in 2009 as well as the anticipation of reduced operating margins. Both of these concerns are valid, however, current share prices more than discount their potential influence.

Recent financial events speak clearly to the positive factors exhibited by the securities exchanges held by Urbana Corporation such as open public ownership, superior governance and transparency. Regulators are adamant in their desire to promote greater trading in the public eye.

In this regard, the New York Stock Exchange remains one of the few American financial institutions with its name and reputation in tact. The company has become more of a technology provider, widely diversified in terms of product offerings and geography.

Our other large holding, the Chicago Board Options Exchange has now demutualized and is proceeding to have its shares publicly traded.

The Bombay Stock Exchange anticipates becoming publicly held this year.

These key holdings provide a basis for recovery when we see even the beginnings of financial and economic stabilization.

Thomas S. Caldwell, C.M.
President

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

Four years after Hungary joined the European Union in 2004, one of the most important symbols of its economy, the Budapest Stock Exchange, celebrated its 18th anniversary and the 13th 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.

Annual Management Report Of Fund Performance

for the year ended December 31, 2008

This annual management report of fund performance follows the disclosure requirements of the Canadian Securities Administrators' National Instrument 81-106. It contains financial highlights but does not contain the complete annual financial statements of Urbana Corporation ("Urbana"). You can get a copy of Urbana's annual financial statements at your request, and at no cost, by calling Urbana collect at (416) 595-9106, by writing to us at: 150 King Street West, Suite 1702, Toronto, Ontario M5H 1J9 or by visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

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

Forward-looking Statements

Certain statements included in this report may constitute forward-looking statements, including those identified by the expressions "believe", "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. As at December 31, 2008 the leverage employed by Urbana represents approximately 7.01% of its net 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 Options Exchange ("CBOE"), the Bombay Stock Exchange ("BSE"), the Kansas City Board of Trade 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 two years, there have been several high profile deals announced, including the merger of the NYSE and Euronext to form NYSE Euronext, bids for the the CBOE by each of the Intercontinental Exchange and the CME, the purchase of Philadelphia Stock Exchange by NASDAQ, the merge of the American Stock Exchange ("AMEX") into NYSE Euronext, and numerous examples of crossownership between international exchanges seeking to form alliances. The Investment Manager believes that this trend will continue for several more years. The arena in which consolidation is most prevalent is the acquisition of derivative exchanges (that is, options and commodities) by stock exchanges seeking to increase their margins and gain proprietary products in the fastest growing segment of the sector. Urbana's investment in the CBOE anticipates that the CBOE may be acquired by a larger exchange that wishes to buy the options exchange with the biggest market share in the United States. The Investment Manager also considers all of the North American grain exchanges, as well as the London, Singapore and Osaka Exchanges, to be likely acquisition targets.

The creation of publicly-traded securities and derivatives exchanges is a relatively new phenomenon. While some exchanges have transformed themselves into public companies, the industry still includes numerous private companies and mutually-owned, not-for-profit entities. Management anticipates that the consolidation trend will continue and that other mergers are likely to take place over the coming years. Management believes that this may allow the Investment Manager to leverage its demonstrated expertise in this sector.

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

- **Trading Volume** - Technology and trading participants (hedge funds and algorithmic trading in addition to traditional investors) are substantially increasing trading volumes on the world's major exchanges. Management believes that the size and sustainability of these volume increases are not yet appreciated by the market.
- **Margin Expansion** - Efficiencies are obtained through the divestiture of non-core assets (e.g. the regulatory function) and replacing or updating legacy trading systems (e.g. floor trading) with new technologies, which drive improved margins. In the past, trade completions were fulfilled in minutes. They are now measured in a diminishing number of milliseconds. At the corporate level, the for-profit discipline now being implemented at many exchanges is forcing a culture change which is reflected in improving margins.
- **Proprietary Products** - Exchanges are striving to obtain proprietary products to trade on their specific venue. This trend is fuelling acquisitions of derivative exchanges (options and futures) by stock (cash) markets. Derivative markets have greater proprietary trading attributes and as a consequence, greater profit margins than stock markets. Trading volumes at derivative exchanges are also growing at a faster rate.
- **Product Pricing** - A readjustment of pricing to more accurately reflect the economic value of trading, listing and data services is also fuelling growth. Data and information, the value of which was not previously captured by private exchanges, have become significant revenue generators for public exchanges. Hedge and algorithmic traders rely significantly on historical information to develop their trading parameters and are willing to pay for such information. News services augment the increasing demand for information. Over time, data and information can grow to become a major income stream for exchanges.

Management believes that 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 ("TSX"), a Fellow of the Canadian Securities Institute and a past

Director of the Investment Dealers Association of Canada (predecessor of the Investment Industry Regulatory Organization 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.

Mr. 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. He has been a member of the TSX, the NYSE, the AMEX 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 has held the designation of Chartered Financial Analyst since 1981.

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, Portfolio Manager
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.

Armel Kitieu, Analyst, CFA, Associate Portfolio Manager
Mr. Kitieu graduated from Concordia University with a Bachelor of Commerce in Finance and Economics. He also holds an Economics degree from the Université de Montréal. He joined the Investment Manager team in 2006 and is responsible for the analysis, research and valuation of exchanges worldwide.

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. Ms. Radman has held the designation of Chartered Financial Analyst since 2006.

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.

INDEPENDENT REVIEW COMMITTEE

The Investment Manager has established an independent review committee ("IRC") in accordance with National Instrument 81-107 Independent Review Committee for Investment Funds ("NI 81-107"). The role of the IRC is to consider and provide recommendations to the Investment Manager on conflicts of interest to which the Investment Manager is subject when providing investment management services to Urbana. The IRC reports 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., 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.

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 decreased from $262,841,278 at the end of 2007 to $158,402,330 at the end of 2008, a decrease of $104,438,948. This decrease was due mainly to the significant decline from 2007 of the investments in the NYSE Euronext, the CBOE, the London Stock Exchange and the Minneapolis Grain Exchange.

As a result of owning more dividend paying investments in 2008 than in 2007, the company's dividend income went up from $839,266 in 2007 to $3,042,855 in 2008. Seat rental income went up from $638,755 in 2007 to $2,548,751 in 2008 because the seat rental generating investments, the CBOE seats and the AMEX memberships, were held for the full or nearly full year in 2008 while they were held only part of the year in 2007. In 2008, Urbana's operations resulted in a net loss of $4,281,027 as compared to a net gain of $128,145 in 2007. This decrease was due largely to a loss on sale of investments of $4,158,084.

Net Assets (as defined below in "Change in Accounting Policy") per common share was $2.05 per share as of December 31, 2008 compared to $3.37 as of December 31, 2007, representing a decrease of 39.17%. The Net Assets per share for the Non-Voting Class A Shares, which have the same rights as the common shares upon liquidation, is the same as the Net Assets per common share.

General Economic Climate

The first 6 months of 2008 were dominated by the sub-prime/asset backed commercial paper crisis emanating from an over-built U.S. housing market. Massive write-downs, both within the U.S. and internationally, impacted virtually all financial institutions. The second half of 2008 was a continuance and indeed an acceleration of the deterioration experienced in the first half of the year. As we approached year end governments around the world initiated a combination of financial market bailout and economic stimulus packages. The former will, in the opinion of management, be successful. It is essential that the banking sector be restored before any broad based economic revival occurs. Governments recognize this fact. Securities exchanges have, despite their lack of toxic assets, participated in the overall market decline. There are concerns regarding a curtailment of trading volumes in 2009 as well as the anticipation of reduced operating margins. Both of these concerns are valid, however current share prices more than discount their potential influence. Recent financial events speak clearly to the positive factors exhibited by the securities exchanges held by Urbana such as open public ownership, superior governance and transparency. Regulators are adamant in their desire to promote greater trading in the public eye.

In this regard, the New York Stock Exchange remains one of the few American financial institutions with its name and reputation intact. The company has become more of a technology provider, widely diversified in terms of product offerings and geography. Our other large holding, the CBOE, has now demutualized and is proceeding to have its shares publicly traded. The BSE anticipates becoming publicly held this year. These key holdings provide a basis for recovery when we see even the beginnings of financial and economic stabilization.

Addition of Capital

During the year of 2008, a total of 275,064 of Warrants and Series A Warrants of Urbana were exercised. As a result of the exercise of these warrants, 275,064 Non-Voting Class A Shares were issued and the net amount of $1,242,910 was added to the shareholder's equity. Other than the capital received from the exercise of these warrants, no capital was raised during the year of 2008.

Normal Course Issuer Bid

During 2008 the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid ("NCIB") to purchase up to 5,954,185 of its Non-voting Class A shares, representing 10% of the public float, pursuant to the TSX rules. Purchases under the bid

commenced on August 28, 2008 and will terminate on the earlier of August 27, 2009, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX, or the date of notice by Urbana of termination of the bid. Purchases are on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana paid for such shares was the market price of such shares on the TSX at the time of acquisition. Non-Voting Class A shares purchased under the bid are cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,366,731 Class A shares, being 2% of the 68,336,582 issued and outstanding Class A shares as at August 26, 2008. As at December 31, 2008, 1,236,582 Class A shares have been purchased by Urbana pursuant to the NCIB.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with the Bank of Montreal. Under this loan facility, Urbana may borrow up to $50,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at prime, calculated on a daily basis. The loan facility is secured by a general charge on Urbana’s assets and allows Urbana to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2008, the outstanding balance of the loan was $11,100,000 representing 7.01% of the net assets of Urbana. All proceeds from this loan facility so far have been used to purchase interests in various exchanges.

Acquisitions and Dispositions of Investments

During 2008, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions Investment	Quantity	Type of Securities	Cost
Chicago Board Options Exchange	4	seats	$12,173,973
Budapest Stock Exchange	169,341	shares	4,761,242
One Chicago, LLC	54	shares	3,175,830
American Stock Exchange	8	seats	2,767,601
Minneapolis Grain Exchange	10	seats	2,689,889
Canadian Quotation & Trading Systems	1,250,000	shares	1,250,000

Dispositions Investment	Quantity	Type of Securities	Total Proceeds
Montreal Stock Exchange	200,000	shares	$3,251,330
BM+F Bovespa SA BO	691,835	shares	2,210,229
Philadelphia Stock Exchange	1,050	shares	1,617,413
NYSE Euronext	15,000	shares	1,036,448

RECENT DEVELOPMENTS

Change in Accounting Policy

On April 1, 2005, the Canadian Institute of Chartered Accountants ("CICA"), 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 in calculating net assets, a company uses the closing bid price for the securities to determine the fair value of financial instruments which are traded in active markets ("Net Assets") instead of using the last or close traded price that was used before Section 3855 was adopted. Subsequent to the adoption of Section 3855 by the CICA and effective September 8, 2008, the Canadian securities regulatory authorities issued amendments to NI81-106 which removed the requirement that net asset value be calculated in accordance with GAAP (other than in financial statements). As a result of the amendments, the net asset value of investments (other than in financial statements) of a company may continue to be calculated by applying the close or last trade price to obtain securities values ("Net Asset Value").

The Canadian Accounting Standards Board recently confirmed the plan to adopt International Financial Reporting Standards ("IFRS") on or by January 1, 2011. IFRS will replace Canadian GAAP for publicly accountable enterprises, which include investment funds. Accordingly, Urbana will adopt IFRS for its fiscal period beginning January 1, 2011. In order to prepare for the conversion to IFRS, management has developed a preliminary IFRS conversion plan for the company and is in the initial stages of evaluating the impact of this change on the company's financial statements. The impact of the adoption of these standards will be disclosed in future periods.

See also section "Results of Operations – General Economic Climate" on page 11.

RELATED PARTY TRANSACTIONS

Caldwell Financial Ltd., a company under common management, is the parent company of the Investment Manager, CIM. In 2008 and 2007, investment management fees of $3,196,246 and $1,899,428 respectively were paid to CIM. For the year ended December 31, 2008, CIM absorbed expenditures relating to Urbana aggregating to $351,845 (December 31, 2007 - $466,782). As at December 31, 2008 there was an investment management fee payable of $630,826 (December 31, 2007 – $769,321) to CIM. There were no other fees payables to related parties as at December 31, 2008.

In the year ended December 31, 2008, marketable securities included units of the Caldwell Growth Opportunities Trust, a fund under common management. All of these units were sold during the year.

Subsequent to its establishment, the IRC 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 tables show selected key financial information about Urbana and are intended to help you understand Urbana's financial performance for the past four years.

Urbana's Net Assets per Share[1]	**2008**	**2007**	**2006**	**2005**
Net assets, beginning of year	$3.37	$2.68	$1.26	$0.71
Total Investment income for the year	0.07	0.06	0.04	0.04
Total expenses for the year, including future taxes	(0.07)	0.17	(0.37)	(0.13)
Realized gains (losses) for the year	(0.05)	0.06	0.02	(0.02)
Unrealized gains (losses) for the year	(1.52)	0.31	1.78	0.66
Distributions	nil	nil	nil	nil
Net assets, end of year[2]	2.05	3.37	2.69	1.26

(1) This information is derived from Urbana's audited annual financial statements. The net assets per share presented in the financial statements differs from the net asset value due to difference in valuation techniques as described in the notes to the financial statements.

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

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

(4) The net assets for the periods beginning 2007 and onward are shown as Net Assets and the net assets for all prior periods are shown as Net Asset Values as per the accounting change described in "Recent Developments" on page 13.

Ratios and Supplemental Data

	2008	**2007**	**2006**	**2005**
Total Net Asset Value[1]	$158,821,097	$262,841,278	$26,917,127	$11,334,873
Shares outstanding[1]	77,100,000	78,061,518	10,000,000	9,000,000
Management Expense Ratio excluding share issuance costs[2]	2.77%	2.99%	4.60%	3.25%
Management Expense Ratio including share issuance costs	2.77%	10.50%	4.93%	3.25%
Management Expense Ratio excluding share issuance costs before waivers or absorptions	3.03%	3.37%	4.60%*	3.25%*
Portfolio Turnover Ratio[3]	5.22%	3.00%*	10.17%	8.03%
Trading Expense Ratio[4]	0.08%	0.00%	0.00%	0.18%
Net asset value per share	$2.06	$3.37	$2.69	$1.26
Closing Market Price (common)	$1.51	$5.40	$3.00	$2.00
Closing Market Price (Class A)	$1.35	$5.15	-	-

**revised from 2007 annual MRFP.*

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

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

(3) Urbana's 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.

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

MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with an investment management agreement with CIM. Investment management fees accrue on the basis of 1.50% per annum of the market value of the equity securities in Urbana's investment portfolio and 0.50% of the market value of the fixed income securities in the corporation's investment portfolio. During the year ended December 31, 2008, Urbana paid investment management fees of $3,196,246 to CIM. Out of these investment management fees, CIM paid for certain administrative, legal services, shareholders communication and regulatory filing expenses aggregating to $351,845. The investment management fees are accrued and paid quarterly in arrears.

Past Performance

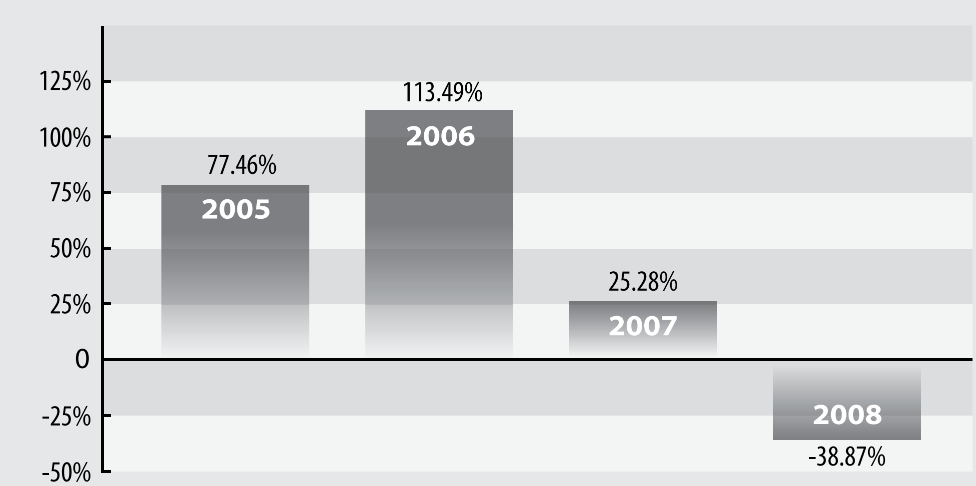
The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

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

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

Urbana Corporation (NAV per share)



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, 2008), compared with the S&P/TSX Composite Index.

	1 year	**3 year**	**4 year and since inception**[1]
Urbana Corporation (NAV)	-38.87%	17.81%	30.51%
Urbana Corporation Common Shares (Market)	-72.04%	-8.94%	8.99%
S&P/TSX Composite Index[2]	-35.03%	-7.27%	-0.71%

The following table shows Urbana's historical returns on its Non-Voting Class A Shares for the periods indicated immediately preceding the end of the last completed financial year (December 31, 2008), compared with the S&P/TSX Composite Index.

	1 year	**since inception**[1]
Urbana Corporation (NAV)	-38.87%	-16.23%
Urbana Corporation Class A Shares (Market)	-73.79%	-33.33%
S&P/TSX Composite Index[2]	-35.03%	-15.49%

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

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

Summary Of Investment Portfolio

(non-consolidated)

As at December 31, 2008

The following market value data are all based on last traded price (as opposed to last bid price)

Number of Shares/Units	Description	Cost	Market Value	Portfolio Market Value	Total Net Asset Value
1,735,981	NYSE Euronext	$ 116,322,041	$ 58,677,217	35.80%	36.95%
22	Chicago Board Options Exchange	58,814,759	47,528,250	28.99%	29.93%
2,400,000	CIH Inc. (Bombay Stock Exchange)	26,566,306	25,361,568	15.47%	15.97%
169,341	Budapest Stock Exchange	4,761,242	8,717,755	5.32%	5.49%
41	Minneapolis Grain Exchange	10,146,476	5,567,595	3.40%	3.51%
210,791	TMX Group Inc.	8,266,040	5,309,825	3.24%	3.34%
9	Kansas City Board of Trade	5,287,915	3,666,465	2.24%	2.31%
54	OneChicago LLC	3,175,830	1,888,332	1.15%	1.19%
1,250,000	Cdn. Quotation & Trading System	1,250,000	1,250,000	0.76%	0.79%
132,000	London Stock Exchange Group	4,301,432	1,194,865	0.73%	0.75%
200	Osaka Securities Exchange Co. Ltd.	1,261,887	1,078,570	0.66%	0.68%
80,000	Hong Kong Exchange & Clearing Ltd.	1,026,297	937,877	0.57%	0.59%
50,000	Bulgarian Stock Exchange	724,589	772,207	0.47%	0.49%
24,683	Bermuda Stock Exchange	533,099	639,224	0.39%	0.40%
56,000	Johannesburg Stock Exchange Ltd.	487,160	273,686	0.17%	0.17%
100	CIH Inc. voting shares	105	123	0.00%	0.00%
312,500	Cdn. Quotation & Trading System Class A	-	-	0.00%	0.00%
	Cash and Cash Equivalents	1,056,107	1,056,107	0.64%	0.66%
	Total	**243,981,284**	**163,919,666**		

The above summary of the investment portfolio may change due to ongoing portfolio transactions. Weekly and quarterly updates are available at Urbana's website at www.urbanacorp.com

URBANA
CORPORATION

2008

December 31, 2008 and 2007 Consolidated Financial Statements

Contents

Deloitte.

Deloitte & Touche LLP
Brookfield Place
181 Bay Street
Suite 1400
Toronto ON M5J 2V1
Canada
Tel: (416) 601-6150
Fax: (416) 601-6151
www.deloitte.ca

Auditors' Report

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

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

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

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

The comparative financial statements as at December 31, 2007 and for the period then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated February 14, 2008.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 18, 2009

Member of Deloitte Touche Tohmatsu

URBANA CORPORATION

Consolidated statements of net assets
as at December 31, 2008 and 2007

	2008	2007
	$	$
Assets		
Cash and cash equivalents	1,477,180	218,666
Investments, at fair value	179,248,111	291,122,714
Sundry receivables	44,674	193,914
Prepaid expenses	5,699	37,280
Office equipment	1,799	2,037
Deposit on future investments	335,349	1,835,349
Future income taxes (note 10)	6,400,000	-
	187,512,812	293,409,960
Liabilities		
Loan payable (note 4)	11,100,000	-
Accounts payable and accrued liabilities	816,786	945,054
Future income taxes (note 10)	-	12,800,000
	11,916,786	13,745,054
Non-controlling interest (note 3)	17,193,696	16,823,628
Net assets	158,402,330	262,841,278
Shareholders' Equity		
Share capital (note 5)	215,915,646	218,135,737
Contributed surplus (note 6)	14,918,769	13,242,479
Retained earnings (deficit)	(72,432,085)	31,463,062
	158,402,330	262,841,278
Total liabilities and shareholders' equity	187,512,812	293,409,960
Number of shares outstanding (note 5)	77,100,000	78,061,518
Net assets per share - basic and fully diluted (note 7)	2.05	3.37

See accompanying notes

Approved by the Board:

Director

Director

URBANA CORPORATION
Consolidated statements of operations
for the years ended December 31, 2008 and 2007

	2008	2007
	$	$
Gains/losses		
(Loss) gain on sale of investments	(4,158,084)	2,343,460
Investment income		
Dividends	3 ,042,855	839,266
Seat rental income	2 ,548,751	638,755
Interest income	49,514	1,195,965
Gain (loss) on foreign exchange	49,143	(1,118,562)
	5 ,690,263	1,555,424
Expenses (note 8)		
Investment management fees	3 ,196,246	1,899,428
Foreign withholding taxes	1 ,134,992	246,833
Interest	463,009	75,291
Administrative	451,568	366,799
Legal fees	377,512	278,035
Shareholder reporting costs	201,956	36,794
Transaction costs	166,098	1,215,129
Audit fees	114,295	66,980
Insurance	31,370	31,456
Director fees	20,900	18,350
Independent Review Committee fees	5,089	1,021
Amortization	238	360
License fees	1,778	1,045
Expenses absorbed by Manager	(351,845)	(466,782)
	5 ,813,206	3,770,739
Net (loss) income before net unrealized (loss) gain on foreign exchange and investments, non-controlling interest and income taxes	(4,281,027)	128,145
Unrealized net (loss) gains on foreign exchange, deposit on future investments and investments	(118,444,052)	13,133,398
Net (loss) income before non-controlling interest and income taxes	(122,725,079)	13,261,543
Non-controlling interest portion of (income) loss	(370,068)	1 ,454,766
Net (loss) income before income taxes	(123,095,147)	14,716,309
Provision for income taxes (note 10)		
Future	(19,200,000)	2,078,353
	(19,200,000)	2,078,353
Total results of operations for the year	(103,895,147)	12,637,956
Basic and fully diluted earnings per share (note 7)	(1.33)	0.30
Weighted average number of shares outstanding	77,884,674	41,882,629

See accompanying notes

URBANA CORPORATION

Consolidated statements of changes in net assets and retained earnings (deficit)
for the years ended December 31, 2008 and 2007

	2008	2007
	$	$
Net assets		
Net assets, beginning of year as previously stated	262,841,278	26,917,127
Restatement on change in accounting policy	-	(93,128)
Net assets, beginning of year as restated	262,841,278	26,823,999
Operating activities		
Total results of operations for the year	(103,895,147)	12,637,956
Capital transactions (notes 5 and 6)		
Issuance of shares (net of expenses and tax impact)	-	208,667,903
Exercise of warrants	1,242,910	1,468,941
Normal course issuer bid redemption proceeds	(1,575,291)	-
Net impact of exercise/issuance of warrants on contributed surplus	(211,420)	13,242,479
Total capital transactions	(543,801)	223,379,323
Net assets, end of year	158,402,330	262,841,278
Retained earning (deficit)		
Retained earnings (deficit), beginning of year	31,463,062	18,825,106
Total results of operations for the year	(103,895,147)	12,637,956
Retained earnings (deficit), end of year	(72,432,085)	31,463,062

See accompanying notes

URBANA CORPORATION
Consolidated statements of cash flows
for the years ended December 31, 2008 and 2007

	2008	2007
	$	$
Operating activities		
Net investment (loss) income	(4,281,027)	128,145
Add (deduct) items not involving cash		
Amortization	238	360
Loss (gain) on sale of investments	4,158,084	(2,343,460)
	(122,705)	(2,214,955)
Net change in non-cash working capital items		
Sundry receivables	149,240	(173,003)
Prepaid expenses	31,581	229,578
Accounts payable and accrued liabilities	(128,268)	517,698
	52,553	574,273
Cash flow used in operating activities	(70,152)	(1,640,682)
Financing activities		
Issuance of loan payable	11,100,000	-
Repayment of loan payable	-	(1,138,268)
Issuance of shares (net of expenses)	-	114,021,784
Exercise of warrants	1,031,490	1,219,073
Normal course issuer bid redemptions	(1,575,291)	-
Issuance of share warrants - contributed surplus	-	13,492,347
Cash flow from financing activities	10,556,199	127,594,936
Investing activities		
Purchases of investments	(27,958,450)	(129,656,692)
Proceeds on sale of investments	11,155,327	5,753,522
Proceeds on maturity of investments	7,575,590	-
Deposits on future investments	-	(1,835,349)
Cash flow from investing activities	(9,227,533)	(125,738,519)
Net change in cash during the year	1,258,514	215,735
Cash and cash equivalents, beginning of year	218,666	2,931
Cash and cash equivalents, end of year	1,477,180	218,666
Supplemental disclosure of cash flow information		
Amount of interest paid	463,009	75,291
Amount of income taxes paid	-	-

See accompanying notes

URBANA CORPORATION
Consolidated statements of investment portfolio
as at December 31, 2008 and 2007

Number of shares	Description	Cost	2008 Fair Value
		$	$
	Privately owned entities		
24,683	Bermuda Stock Exchange	533,099	639,224
169,341	Budapest Stock Exchange	4,761,242	8,717,755
50,000	Bulgarian Stock Exchange	724,589	772,207
312,500	Canadian Trading and Quotation System Inc. ("CTQS") Class A*	-	-
308,888	Bombay Stock Exchange (shares held by CIHI)	43,507,793	41,792,447
22	Chicago Board Options Exchange (seats)	58,814,864	47,528,373
9	Kansas City Board of Trade (seats)	5,287,915	3,666,465
41	Minneapolis Grain Exchange (seats)	10,146,476	5,567,595
54	OneChicago Stock Futures Exchange	3,175,830	1,888,332
		126,951,808	110,572,398
	Publicly traded securities		
80,000	Hong Kong Exchange & Clearing Ltd.	1,026,297	937,877
56,000	Johannesburg Stock Exchange Ltd.	487,160	274,434
132,000	London Stock Exchange Group	4,301,431	1,194,865
1,735,981	NYSE Euronext	116,322,041	58,634,356
200	Osaka Securities Exchange Co. Ltd.	1,261,887	1,078,570
210,791	TMX Group Inc.	8,266,039	5,305,610
		131,664,855	67,425,712
	Other		
	Resource investment	1,094,038	1
1,250,000	Canadian Trading and Quotation System Inc. (Convertible debenture with no interest. Convertible into shares at $4 per share)*	1,250,000	1,250,000
	Total investments	260,960,701	179,248,111

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

See accompanying notes

URBANA CORPORATION
Consolidated statements of investment portfolio
as at December 31, 2008 and 2007

Number of shares	Description	Cost	2007 Fair Value
		$	$
	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
24,683	Bermuda Stock Exchange	533,099	503,223
950	Philadelphia Stock Exchange (shares)	1,264,362	1,200,712
		113,042,186	120,339,844
	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	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
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
		133,807,073	163,207,279
	Other		
	Resource investment	1,094,038	1
	Cda T Bill 24 Jan 2008	7,575,590	7,575,590
	Total investments	255,518,887	291,122,714

See accompanying notes

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

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

1. Summary of significant accounting policies

These consolidated financial statements of Urbana have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). The significant accounting policies of the Company are listed 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 dislosure 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. All inter-company transactions have been eliminated.

Adoption of new accounting standards

Financial instruments: disclosure and presentation

As of January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Section 3862, Financial Instruments – Disclosures ("Section 3862") and CICA Section 3863, Financial Instruments – Presentation ("Section 3863"), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Company manages those risks. Section 3863 carries forward unchanged the presentation requirements of Section 3861 with respect to financial instruments. Comparative figures are not required in the initial year of adoption. Refer to Note 2 for the discussion on financial instruments and risk management.

Capital management

On January 1, 2008, the Company adopted CICA Handbook Section 1535 Capital Disclosures. This standard requires the disclosure of information that enables users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. (See note 2).

1. Summary of significant accounting policies (continued)

Financial instruments: recognition and measurement

On April 1, 2005, The CICA 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 ended 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 instead of the closing traded price that was used before Section 3855 was adopted.

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.

<u>Foreign exchange</u>

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.

<u>Financial instruments</u>

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

The fair values of cash, sundry receivables and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities. The fair value of loan payable approximates its carrying value as the interest rate on the loan is variable. Investments are classified as held-for-trading financial instruments, and as such, are recorded at fair value. Unrealized gains and losses on investments are recognized in the statement of operations.

<u>Valuation of investments</u>

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

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

1. Summary of significant accounting policies (continued)

Valuation of investments (continued)

The fair value of any security for which no published market exists, including securities of private issuers, is determined by management using a valuation technique. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cashflows, industry valuation benchmarks and available market prices. During the initial period after an investment has been made, cost translated using the year end foreign currency exchange rate may represent the most reasonable estimate of fair value.

The process of valuing investments for which no published market exists is based on inherent uncertainties. The resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

Resource properties

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

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

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

Office equipment

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

Future income taxes

The Company accounts for income taxes using the liability method, whereby future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. Income tax expense for the year is the tax payable for the year and any change during the year in the future tax assets and liabilities. A valuation allowance is provided to the extent that it is more likely than not that future tax assets will not be realized.

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 revenue is recognized as earned.

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

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.

2. Financial instruments and risk management

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

Credit risk

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

Liquidity risk

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

Currency risk

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

2. Financial instruments and risk management (continued)

Currency Risk (Continued)

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

Currency	As % of net assets
	%
United States Dollars	75.06
Indian Rupee	26.38
Other	8.40
	109.84

As at December 31, 2008, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $8,699,456. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

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

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

As at December 31, 2008, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased, respectively, by approximately $90,000. In practice, the actual trading results may differ and the difference could be material.

Other Market Risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. Any equity and derivative instruments that the company may hold are susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a

2. Financial instruments and risk management (continued)

Other Market Risk (Continued)

careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly traded securities. As at December 31, 2008, had the prices on the respective stock exchanges for these securities increased or decreased by 10%,with all other variables held constant, net assets would have increased or decreased, respectively, by approximately $8,830,277 (approximately 5.5% of total net assets). In practice, the actual trading results may differ and the difference could be material. Management is unable to meaningfully quantify any correlation of the price of its privately owned equities to changes in a benchmark index.

Capital management

Management manages the capital of the Company which consists of the net assets and the proceeds from the bank facility, in accordance with the Company's investment objectives. The Company borrowed this money to make additional investments. The Company is not subject to any capital requirements imposed by a regulator.

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 were $44,843,950, of which the Company provided $26,565,556. The remaining $18,278,394 which is owned by other investment funds managed by Caldwell Investment Management Ltd. was accounted for as a non-controlling interest. CIHI used the proceeds of the share issuance to purchase 308,888 equity shares of the Bombay Stock Exchange.

Non-controlling interest consists of the following:

	2008	2007
	$	$
Non-controlling interest, beginning of year/at acquisition	16,823,628	18,278,394
Share of net income (loss)	370,068	(1,454,766)
Non-controlling interest, end of year	17,193,696	16,823,628

4. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. Under this loan facility, the Company may borrow up to $50,000,000 from the Bank of Montreal at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets and allows the Company to purchase additional interests in public and/or private exchanges around the world. As at December 31, 2008, the outstanding balance of the loan was $11,100,000 which is the fair value of the loan.

5. Share capital

At December 31 share capital consists of the following: .

	2008		2007	
	Number	Amount	Number	Amount
		$		$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, January 1	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued - non-voting Class A shares				
Balance, January 1	68,061,518	210,136,844	-	-
Issued during the year (a)	-	-	67,736,432	205,767,903
Exercise of warrants into Class A shares	275,064	1,242,910	325,086	1,468,941
Future tax impact of share issuance costs	-	-	-	2,900,000
Normal Course Issuer Bid Redemption (b)	(1,236,582)	(3,463,001)	-	-
Balance, end of year	67,100,000	207,916,753	68,061,518	210,136,844
Total	77,100,000	215,915,646	78,061,518	218,135,737

a) During 2007 the Company completed three offerings on January 11, 2007, July 12, 2007 and November 29, 2007 and issued 67,736,432 Non-Voting Class A shares and 21,967,047 warrants (See note 7). Each warrant entitles the holder to purchase one Non-Voting Class A share at a price of $3.75.

b) During 2008 the TSX accepted the Company's notice of intention to conduct a normal course issuer bid to enable it to purchase up to 5,954,185 of its Non-Voting Class A shares, representing 10% of the public float, pursuant to TSX rules

Purchases under the bid commenced on August 28, 2008, and will terminate on the earlier of August 27, 2009, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid.

Purchases are on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana paid for such was the market price of such shares on the TSX at the time of acquisition. Non-Voting Class A Shares purchased under the bid are cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,366,731 Class A Shares, being 2% of the 68,336,582 issued and outstanding Class A Shares as at August 26, 2008.

6. Contributed surplus

	2008	2007
	$	$
Balance, beginning of year	13,242,479	-
January 11, 2007 short form prospectus (note 5 (a))	-	7 ,140,881
July 12, 2007 short form prospectus (note 5 (a))	-	6 ,351,466
Warrants exercised	(211,420)	(249,868)
Normal Course Issuer Bid Redemption Premium (note 5 (b))	1,887,710	-
Balance, end of year	14,918,769	13,242,479

7. Class A purchase warrants

A summary of the Class A warrants are presented below:

	2008		2007	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, January 1	21,641,961	3.75	-	-
Issued (note 5 (a))	-	-	21,967,047	3 .75
Exercised	(275,064)	3.75	(325,086)	3 .75
Outstanding, December 31	21,366,897	3.75	21,641,961	3 .75

As at December 31, 2008, the following Class A warrants are outstanding:

	Number of warrants	Exercise price	Expiry date
Class A warrants	8,828,861	3 .75	January 11, 2009
Class A warrants	12,538,036	3 .75	July 12, 2009
	21,366,897	3 .75	

Since the exercise price of the warrants was higher than the market price of the equity shares as at December 31, 2008, there was no dilution in respect of the net assets per equity share and the results of operations per equity share.

8. Related party transactions

Caldwell Financial Ltd ("CFL") is a significant shareholder of the Company and under common management. Caldwell Investment Management Ltd. ("CIM") is a subsidiary of CFL.

8. Related party transactions (continued)

Under an investment management agreement dated May 1, 2006 between the Company and CIM, the investment manager, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of the equity securities in the Company's portfolio and 0.5% of the market value of the fixed income securities in the Company's portfolio of marketable securities. The investment advisory fees are accrued and paid quarterly in arrears. In the years ended December 31, 2008 and December 31, 2007, investment management fees of $3,196,246 and $1,899,428 respectively, were paid to CIM. For the year ended December 31, 2008, CIM reimbursed expenditures aggregating to $351,845 (December 31, 2007 - $466,782) relating to the Company.

Included in accounts payable and accrued liabilities is investment management fee of $630,826 (2007 - $769,321) payable to CIM. There are no other fees payable to related parties.

In the year ended December 31, 2008, investments included units of the Caldwell Growth Opportunities Trust, a fund under common management. All of these units were sold during the year.

All related party transactions are recorded at their exchange amounts.

9. Net asset value and net assets

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

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

As a result the Company's valuations are different for daily transactions and financial reporting purposes as compared to the financial statements because of the valuation methodology used in determining fair values. The Net Asset Value per share and Net Assets per share is presented as follows:

	Net Asset Value per share	Net Assets per share
	$	$
As at December 31, 2008	2.06	2.05
As at December 31, 2007	3.37	3.37

10. Income taxes

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

	2008	2007
	$	$
Income before income taxes	(123,095,147)	14,716,309
Expected income taxes rates payable at future rates - 33% (2007 - 33.00%)	(40,621,399)	4,856,382
Income tax effect of the following:		
Non-taxable portion of realized capital transactions gains	686,084	(386,670)
Non-taxable portion of unrealized capital gains	20,162,172	(2,167,011)
Non-controlling interest	-	(240,036)
Other	573,143	15,688
	(19,200,000)	2,078,353

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

	2008	2007
	$	$
Resource deductions available in perpetuity	(18,088)	(56,084)
Unrealized capital gains (losses) on investments	(2,766,231)	16,000,866
Share issuance costs	(1,732,149)	(2,900,000)
Tax benefit of capital loss carryforwards	(568,019)	-
Tax benefit of non-capital loss carryforwards	(1,314,212)	(240,772)
Other	(1,300)	(4,010)
Total future income tax (asset) liability	(6,400,000)	12,800,000

10. Income taxes (continued)

c) Future tax (income) expense consists of the following:

	2008	2007
	$	$
Increase in future tax (asset) liability on balance sheet	(19,200,000)	9,302,000
Add: future tax benefit of share issuance costs reducing the future tax liability and being allocated to share capital	-	2,900,000
Less: future tax cost of the acquisition of NYSE Euronext shares using a tax free rollover	-	(10,142,050)
Add: future tax restatement	-	18,403
Future taxes	(19,200,000)	2,078,353

11. Future changes in accounting standards

The Canadian Accounting Standards Board ("AcSB") recently confirmed the plan to adopt International Financial Reporting Standards ("IFRS") on or by January 1, 2011. IFRS will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. Accordingly, the Company will adopt IFRS for their fiscal period beginning January 1, 2011. In order to prepare for the conversion to IFRS, management has developed a preliminary IFRS conversion plan for the Company and is in the initial stages of evaluating the impact of this change on the Company's financial statements. The impact of the adoption of these standards will be disclosed in future periods.

12. Comparative amounts

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

URBANA
CORPORATION

150 King Street W., Suite 1702, Toronto, Ontario, M5H 1J9 Tel: 416-595-9106 Fax: 416-862-2498
www.urbanacorp.com