

Consolidated financial statements of

Urbana Corporation

June 30, 2011

(Unaudited)

Urbana Corporation

June 30, 2011

(Unaudited)

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Urbana Corporation

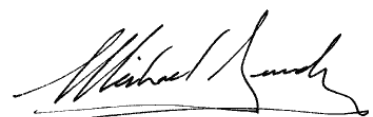
Consolidated statements of net assets

	June 30, 2011 (unaudited)	December 31, 2010 (audited)
	\$	\$
Assets		
Cash and cash equivalents	2,277,864	4,287,835
Investments, at fair value	161,395,500	164,803,819
Sundry receivables	171,829	194,050
Prepaid expenses	21,302	35,596
Income taxes (note 11)	7,500,000	7,500,000
	171,366,495	176,821,300
Liabilities		
Loan payable (note 5)	15,000,000	13,455,000
Accounts payable and accrued liabilities	940,240	828,544
	15,940,240	14,283,544
Non-controlling interest (note 4)	11,062,095	14,440,650
NET ASSETS	144,364,160	148,097,106
Shareholders' equity		
Share capital (note 6)	201,948,207	213,684,538
Contributed surplus (note 7)	33,039,158	26,611,124
Deficit	(90,623,205)	(92,198,556)
Shareholders' equity representing net assets	144,364,160	148,097,106
Total liabilities and shareholders' equity	171,366,495	176,821,300
Number of shares outstanding (note 6)	77,011,100	81,066,100
Net assets per share - basic and diluted	1.87	1.83

Approved by the Board:



Director



Director

See accompanying notes.

Urbana Corporation

Consolidated statements of operations for the six months ended June 30 (unaudited)

	2011	2010
	\$	\$
Gains/losses		
Loss on sale and disposal of investments	(3,380,078)	(788,407)
Investment income		
Dividends	1,727,973	4,695,667
Interest	204,786	1,322
Seat rental	-	729,692
Loss on foreign exchange	(19,707)	(116,788)
	1,913,052	5,309,893
Expenses		
Investment management fees (note 9)	1,419,377	1,210,478
Foreign withholding taxes	200,354	800,362
Interest	406,392	44,294
Administrative	220,035	184,646
Legal fees	6,666	49,630
Shareholder reporting costs	30,718	39,889
Transaction costs	10,078	483,591
Audit fees	57,090	77,823
Insurance	15,262	15,262
Director fees	25,296	20,000
Independent Review Committee fees	3,077	2,660
License fees	727	750
	2,395,072	2,929,385
Net (loss) gain before unrealized net loss on foreign exchange and investments, non-controlling interest and income taxes	(3,862,098)	1,592,101
Unrealized net gain (loss) on foreign exchange and investments	2,058,894	(4,452,731)
Net (loss) before non-controlling interest and income taxes	(1,803,204)	(2,860,630)
Non-controlling interest portion of loss	3,378,555	746,567
Net income (loss) before income taxes	1,575,351	(2,114,063)
Recovery (provision) for income taxes (note 11)		
Current	-	-
Future	-	100,000
	-	100,000
Total results of operations for the period	1,575,351	(2,014,063)
Basic and diluted income (loss) per share	0.02	(0.02)
Weighted average number of shares outstanding	79,136,986	87,330,017

See accompanying notes.

Urbana Corporation

Consolidated statements of changes in net assets and deficit
for the six months ended June 30
(unaudited)

	2011	2010
	\$	\$
Net assets		
Shareholders' equity representing net assets, beginning of period	148,097,106	174,679,405
Operating activities		
Total results of operations for the period	1,575,351	(2,014,063)
Capital transactions (notes 6 and 7)		
Normal course issuer bid repurchases payments	(5,308,297)	(1,249,454)
Total capital transactions	(5,308,297)	(1,249,454)
Net assets, end of period	144,364,160	171,415,888
(Deficit)		
(Deficit), beginning of period	(92,198,556)	(73,793,701)
Total results of operations for the period	1,575,351	(2,014,063)
Deficit, end of period	(90,623,205)	(75,807,764)

See accompanying notes.

Urbana Corporation

Consolidated statements of cash flows for the six months ended June 30 (unaudited)

	2011	2010
	\$	\$
Operating activities		
Total results of operations for the period	1,575,351	(2,014,063)
Items not affecting cash		
Loss on sale and disposal of investments	3,380,078	788,407
Unrealized net gain (loss) on foreign exchange and investments	(2,058,894)	4,452,731
Non-controlling interest portion of loss	(3,378,555)	(746,567)
Provision for future income taxes	-	(100,000)
	(482,020)	2,380,508
Net change in non-cash working capital items		
Sundry receivables	22,221	(562)
Prepaid expenses	14,294	(4,007)
Accounts payable and accrued liabilities	111,696	(340,309)
	148,211	(344,878)
Cash flow (used in) from operating activities	(333,809)	2,035,630
Financing activities		
Proceeds from loan payable	1,545,000	4,155,000
Normal course issuer bid repurchases payments	(5,308,297)	(1,249,454)
Cash flow (used in) from financing activities	(3,763,297)	2,905,546
Investing activities		
Purchases of investments	(5,084,616)	(46,363,882)
Proceeds on sale of investments	7,171,751	7,160,796
Proceeds on maturity of investments	-	37,615,026
Deposit on future investments	-	350,032
Cash flow from (used in) investing activities	2,087,135	(1,238,028)
Net change in cash during the period	(2,009,971)	3,703,148
Cash and cash equivalents, beginning of period	4,287,835	1,756,696
Cash and cash equivalents, end of period	2,277,864	5,459,844
Supplemental disclosure		
Amount of interest paid	406,392	44,294

See accompanying notes.

Urbana Corporation

Consolidated statements of investment portfolio
as at June 30, 2011 (Unaudited) and December 31, 2010 (Audited)

Number of shares	Description	June 30, 2011	
		Cost	Fair value
		\$	\$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	31,061,652
11	Kansas City Board of Trade (seats)	5,948,450	4,883,406
169,341	Budapest Stock Exchange (shares)	4,761,242	4,739,005
27	Minneapolis Grain Exchange (seats)	6,585,622	2,553,655
2,325,000	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	2,324,620	2,310,238
55	OneChicago Stock Futures Exchange (shares)	3,175,830	401,295
24,683	Bermuda Stock Exchange (shares)	533,099	287,050
1,162,500	2232057 Ontario Inc., Warrants	-	-
312,500	CNSX Markets Inc. Class A*	-	-
		73,849,546	46,236,301
Publicly traded securities			
1,800,000	NYSE Euronext	115,100,204	59,533,159
1,680,000	CBOE Holdings Inc.	55,640,858	39,885,653
180,000	TMX Group Inc.	7,053,343	7,884,000
125,000	Bank of America Corp.	1,725,995	1,322,187
50,000	Manulife Financial Corp.	872,150	854,000
		180,392,550	109,478,999
Other			
2,500,000	2232057 Ontario Inc. **	2,500,000	2,500,000
2,053,600	Arzak Global Securities Loan. ***	2,053,600	1,930,200
1,250,000	CNSX Markets Inc. ****	1,250,000	1,250,000
		5,803,600	5,680,200
		260,045,696	161,395,500

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

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

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

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

See accompanying notes.

Urbana Corporation

Consolidated statements of investment portfolio
as at June 30, 2011 (Unaudited) and December 31, 2010 (Audited)

Number of shares	Description	December 31, 2010	
		Cost	Fair value
		\$	\$
Privately owned entities			
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	40,547,370
169,341	Budapest Stock Exchange (shares)	4,761,242	5,756,292
11	Kansas City Board of Trade (seats)	5,948,450	4,590,663
42	Minneapolis Grain Exchange (seats)	10,244,301	4,590,663
2,200,000	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	2,200,000	1,825,560
55	OneChicago Stock Futures Exchange (shares)	3,175,830	413,166
24,683	Bermuda Stock Exchange (shares)	533,099	257,126
50,000	Bulgarian Stock Exchange (shares)	724,589	41,791
1,100,000	2232057 Ontario Inc., Warrants	-	-
312,500	CNSX Markets Inc. Class A*	-	-
		78,108,194	58,022,631
Publicly traded securities			
1,800,000	NYSE Euronext	115,100,204	53,621,329
880,000	CBOE Holdings Inc.	29,145,212	19,989,058
880,000	CBOE Holdings Inc. (transfer restriction until June 15, 2011)	29,145,211	19,613,061
190,000	TMX Group Inc.	7,408,733	7,019,900
75,000	Bank of America Corp.	989,447	994,147
200,000	Citigroup Inc.	971,124	939,993
50,000	Manulife Financial Corp.	866,000	853,700
		183,625,931	103,031,188
2,500,000	2232057 Ontario Inc. **	2,500,000	2,500,000
1,250,000	CNSX Markets Inc. ***	1,250,000	1,250,000
		3,750,000	3,750,000
		265,484,125	164,803,819

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

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

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

See accompanying notes.

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

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

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

1. Summary of significant accounting policies

These unaudited consolidated financial statements of Urbana have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”). The financial statements have been properly prepared using judgment within reasonable limits of materiality. These interim financial statements do not include all the note disclosures required for annual financial statements and, therefore, should be read in conjunction with the Company’s audited annual financial statements for the year ended December 31, 2010 which are available on SEDAR at www.sedar.com or upon request to the Company. The significant accounting policies follow that of the most recently reported annual financial statements.

2. Fair value measurement

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 — Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

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

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

The following is a summary of the Company’s investments categorized in the fair value hierarchy as at June 30, 2011 and December 31, 2010:

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and Cash Equivalents	2,277,864	-	-	2,277,864
Publicly traded securities	109,478,999	-	-	109,478,999
Privately owned entities	-	7,437,061	38,799,240	46,236,301
Other	-	-	5,680,200	5,680,200
	111,756,863	7,437,061	44,479,440	163,673,364

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

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

2. Fair value measurement (continued)

During the six month period ended June 30, 2011 and the year ended December 31, 2010 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

June 30, 2011	Privately owned entities	Other	Total
	\$	\$	\$
Beginning balance	48,841,305	3,750,000	52,591,305
Purchases	124,620	1,930,200	2,054,820
Sales	(724,589)	-	(724,589)
Change in unrealized gains (losses)	(9,442,096)	-	(9,442,096)
Ending balance	38,799,240	5,680,200	44,479,440

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

For the six month period ended June 30, 2011, there were no transfers in/out of Level 3 investments. There were no sales and transfers into/out of Level 3 investments for the year ended December 31, 2010. The potential impact of using reasonable possible alternative assumptions for valuing the two biggest holdings that are classified as Level 3 financial instruments would increase or decrease their fair value by up to \$3.5 million (December 31, 2010 - \$3.6 million). The major assumption relating to this sensitivity calculation relates to the multiple used to value the entities based on earnings and the increase/decrease was calculated based on increasing the multiple by plus/minus one.

3. Financial instruments and risk management

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

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at June 30, 2011, the Company had \$4.4 million (December 31, 2010 - \$2.5 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of net assets.

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

3. Financial instruments and risk management (continued)

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 June 30, 2011, the Company had a demand loan for \$15,000,000 (December 31, 2010 - \$13,455,000), representing 10.39% of net assets. Liquidity risk is managed by investing in assets that are traded in an active market and can be readily sold or by borrowing under its credit facility (note 5). The Company's common shares and Class A shares cannot be redeemed by shareholders. The Company endeavours to maintain sufficient liquidity to meet its expenses.

Currency risk

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

The table below indicates the currencies to which the Company had significant exposure as at June 30, 2011 and December 31 2010.

Currency	June 30, 2011	December 31, 2010
	As % of net assets	As % of net assets
	%	%
United States Dollars	76.00	70.91
Indian Rupee	21.52	27.38
Other	3.28	3.92
	100.80	102.21

The Company's net assets would decrease or increase by approximately \$7,276,053 (December 31, 2010 - \$7,567,733) in response to a 5% appreciation or depreciation of the Canadian dollar, with all other variables held constant. In practice, the actual results may differ materially.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as bonds and loans payable. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is a reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

3. Financial instruments and risk management (continued)

Interest risk (continued)

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

	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Financial asset - bonds					
June 30, 2011	-	4,430,200	-	-	4,430,200
December 31, 2010	-	2,500,000	-	-	2,500,000
Loan payable					
June 30, 2011	15,000,000	-	-	-	15,000,000
December 31, 2010	13,455,000	-	-	-	13,455,000

As at June 30, 2011, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the results of operations would have decreased or increased, respectively, by approximately \$190,509 (December 31, 2010 - \$175,000). In practice, the actual results may differ materially.

Other market risk

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

The most significant exposure for the Company to other price risk arises from its investment in publicly traded securities. As at June 30, 2011, 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 \$10,947,900 (December 31, 2010 - \$8,341,813) (approximately 7.58% (December 31, 2010 - 5.63%) of total net assets). In practice, the actual results may differ materially. Management is unable to meaningfully quantify any correlation of the price of its privately owned equities to changes in a benchmark index.

Capital management

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

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

4. Subsidiaries

Caldwell India Holdings Inc.

During 2007, the Company subscribed for 100 common shares, at US\$1 per share, for Caldwell India Holdings Inc. ("CIHI"). CIHI then issued 4,051,300 investor shares (non-voting) at US\$10 per share of which the Company subscribed for 2,400,000, representing 59.24% of the issued share capital of CIHI. The total proceeds for the CIHI shares issued were \$44,843,950, of which the Company provided \$26,565,556. The remaining \$18,278,394 which is owned by other investment funds managed by Caldwell Investment Management Ltd. was accounted for as a non-controlling interest. CIHI used the proceeds of the share issuance to purchase 308,888 equity shares of the Bombay Stock Exchange ("BSE"). In 2010, the Company sold 28,507 investor shares of CIHI with a cost base of \$306,045 for cash proceeds of \$248,676. Consequently, the Company's investment in CIHI represents a 58.54% interest in the issued share capital of CIHI.

Non-controlling interest consists of the following:

	Six month period ended June 30, 2011	Year ended December 31, 2010
	\$	\$
Non-controlling interest, beginning of period	14,440,650	15,380,177
Share of net (loss)	(3,378,555)	(939,527)
Non-controlling interest, end of period	11,062,095	14,440,650

Urbana Mauritius Inc.

In June 2009, Urbana set up a wholly owned subsidiary in Mauritius, Urbana Mauritius Inc. ("UMI"), to facilitate future investments in India. As at June 30, 2011, UMI owns 791,000 (December 31, 2011 - 791,000) equity shares of the BSE.

5. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. In July 2009 the loan facility agreement was amended to allow the Company to borrow up to \$15,000,000 from the Bank of Montreal at any given time. Interest is charged on the outstanding balance of the loan facility at Bank's prime rate plus 2.75%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets and allows the Company to purchase additional interests in public and/or private exchanges around the world. As at June 30, 2011, the outstanding balance of the loan was \$15,000,000 (December 31, 2010 - 13,455,000) which is the fair value of the loan. As at June 30, 2011, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

6. Share capital

At June 30, 2011 share capital consists of the following:

	Six month period ended June 30, 2011		Year ended December 31, 2010	
	Number	Amount	Number	Amount
		\$		\$
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited non-voting fully participating Class A shares				
Issued - common shares				
Balance, beginning of period	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the period	-	-	-	-
Balance, end of period	10,000,000	7,998,893	10,000,000	7,998,893
Issued - non-voting Class A shares				
Balance, beginning of period	71,066,100	205,685,645	77,526,320	222,740,626
Normal Course Issuer Bid				
Redemption (a)	(4,055,000)	(11,736,331)	(6,460,220)	(17,054,981)
Balance, end of period	67,011,100	193,949,314	71,066,100	205,685,645
Total	77,011,100	201,948,207	81,066,100	213,684,538

- a) On August 26, 2010 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 7,431,323 of its Non-Voting Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 28, 2010, and will terminate on the earlier of August 27, 2011, the date Urbana completes its purchases pursuant to the notice of intention to make a normal course issuer bid filed with the TSX or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares shall be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB shall be cancelled. Urbana will not purchase in any given 30 day period, in the aggregate, more than 1,500,000 Non-Voting Class A Shares, being 2% of the 75,000,000 issued and outstanding Non-Voting Class A Shares as at August 24, 2010 (the date on which the notice was filed). As at June 30, 2011, Urbana has purchased 7,431,300 (December 31, 2010 - 3,376,300) Non-Voting Class A Shares, to date, pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.27 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct a normal course issuer bid for the periods of August 28, 2008 to August 27, 2009 and August 28, 2009 to August 27, 2010 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share and 3,083,920 Non-Voting Class A Shares at \$1.32 per share respectively during these periods.

Urbana Corporation

Notes to the consolidated financial statements
for the six month periods ended June 30, 2011 and 2010
(unaudited)

7. Contributed surplus

	2011	2010
	\$	\$
Balance, beginning of year	26,611,124	17,733,587
Normal course issuer bid repurchase discount (note 6 (a))	6,428,034	8,877,537
Balance, end of year	33,039,158	26,611,124

8. Series B Class A purchase warrants

A summary of the Series B warrants are presented below:

	Number of warrants	2011 Weighted average exercise price \$	Number of warrants	2010 Weighted average exercise price \$
Outstanding, January 1	5,345,750	2.50	5,345,750	2.50
Outstanding, June 30	5,345,750	2.50	5,345,750	2.50

As at June 30, 2011, the following Series B warrants are outstanding:

	Number of Warrants	Exercise price	Expiry date
Class B warrants	5,345,750	2.50	November 10, 2011
	5,345,750	2.50	

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Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

9. Related party transactions

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

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 six month periods ended June 30, 2011 and June 30, 2010, investment management fees of \$1,419,377 and \$1,210,478 respectively were earned by CIM. For the six months ended June 30, 2011 and June 30, 2010, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of \$741,412 (2010 - \$616,361) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

10. Net asset value and net assets

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

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

As a result, the Company's investment valuations are different for weekly net asset value calculation and for financial statements purposes. The Net Asset Value per share and Net Assets per share is presented as follows:

	Net Asset Value per share	Net Assets per share
	\$	\$
As at June 30, 2011	1.87	1.87
As at December 31, 2010	1.83	1.83

Urbana Corporation

Notes to the consolidated financial statements for the six month periods ended June 30, 2011 and 2010 (unaudited)

11. Income taxes

The Company's provision for income taxes for the six months ended June 30, 2011 and for the year ended December 31, 2010 is summarized as follows:

	2011	2010
	\$	\$
Net income (loss) before income taxes	1,575,351	(20,904,855)
Expected income taxes payable at future rates - 25%	393,838	(5,226,213)
Income tax effect of the following:		
Non-taxable portion of realized capital transactions losses	422,510	697,817
Non-taxable portion of unrealized capital losses	(257,362)	2,313,810
Non-controlling interest	(844,639)	(234,882)
Increase in effective income tax rate	-	444,695
Valuation allowance	200,000	-
Other	85,653	(495,227)
	-	(2,500,000)

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

	2011	2010
	\$	\$
Resource deductions available in perpetuity	(13,703)	(13,703)
Unrealized capital losses on investments	(5,368,924)	(5,403,378)
Share issuance costs	(494,610)	(494,610)
Tax benefit of capital loss carryforwards	(1,044,995)	(821,964)
Tax benefit of non-capital loss carryforwards (expiring 2031)	(770,381)	(769,030)
Valuation allowance	200,000	-
Other	(7,387)	2,685
Total future income tax (asset) liability	(7,500,000)	(7,500,000)

12. Future changes in accounting standards

International Financial Reporting Standards ("IFRS")

In 2008 the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS on or by January 1, 2011. In September 2010, the CICA extended the deadline for adoption of IFRS by certain qualifying investment funds by one year and in January 2011, the AcSB approved a one year extension of the deferral. Investment companies will now be required to mandatorily adopt IFRS for interim and annual financial statements relating to annual periods beginning on or after January 1, 2013. The comparative statements will also be prepared under IFRS.