

URBANA CORPORATION

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six month period ended June 30, 2012

This interim 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 interim or annual financial statements of Urbana Corporation ("Urbana"). You can get a copy of Urbana's interim or 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 to the extent they relate to Urbana or its investment manager, Caldwell Investment Management Ltd. 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.

Forward-looking statements included or incorporated by reference in this report include statements with respect to:

- *Results of Operations*
- *Recent Developments*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

Urbana's net shareholders' equity decreased from \$126,668,573 at the end of 2011 to \$117,156,152 at the end of June, 2012. This includes \$4,144,485 spent to purchase and cancel Class A shares under a normal course issuer bid. Net assets (as described in note 10 to the interim financial statements) per common share was \$1.66 per share as at June 30, 2012 compared to \$1.70 as at December 31, 2011, representing a decrease of 2.35%. 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.

Dividend income and interest income in the first six months of this year were \$1,819,754 and \$125,330 respectively as compared to \$1,727,973 and 204,786 for the same period in 2011. During the first six months of 2012, Urbana's operations resulted in a net loss of \$2,367,936 (a net loss of \$5,367,936 before net unrealized loss on foreign exchange and investments, non-controlling interests and income taxes) as compared to a net gain of \$1,575,351 (a net loss of \$3,862,098 before the specified items) in the same period of 2011.

Normal Course Issuer Bid

On August 25, 2011 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 6,636,033 of its own 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 29, 2011, and will terminate on the earlier of August 28, 2012, 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 is to be the market price of such shares on the TSX at the time of acquisition. The shares purchased under the NCIB are to be cancelled. Urbana is not to purchase in any given 30 day period, in the aggregate, more than 1,340,222 Non-Voting Class A Shares, being 2% of the 67,011,100 issued and outstanding Non-Voting Class A Shares as at August 19, 2011 (the date on which the notice was filed). As at June 30, 2012, Urbana has purchased 6,583,500 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.01 per share. Previously, the Toronto Stock Exchange had accepted Urbana's notices of intention to conduct normal course issuer bids for the periods of August 28, 2008 to August 27, 2009, August 28, 2009 to August 27, 2010 and August 28 2010 to August 27, 2011 ("Previous NCIBs"). Pursuant to these Previous NCIBs, Urbana purchased, respectively during these periods, 1,336,582 Non-Voting Class A Shares at an average price of \$1.28 per share, 3,083,920 Non-Voting Class A Shares at \$1.32 per share and 7,431,300 Non-Voting Class A Shares at \$1.27 per share.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with Bank of Montreal (the 'Bank'). In July 2009 the loan facility agreement was amended to allow Urbana to borrow up to \$15,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at the 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 Urbana's assets and allows Urbana to purchase additional investments. As at June 30, 2012, the outstanding balance of the loan was \$14,500,000 representing 12.38% of the net assets of Urbana.

Acquisitions and Dispositions of Investments

From January 1, 2012 to June 30, 2012, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investment	Quantity	Type of Investment	Cost (\$)
2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	80,454	shares	67,509
Bank of America Corp.	90,000	shares	668,903
Caldwell Financial Ltd.	700,000	shares	1,575,000
CBOE Holdings Inc.	13,182	shares	351,062
Citigroup Inc.	30,000	shares	949,299
Manulife Financial Corporation	60,000	shares	739,600
Sun Life Financial Inc.	30,000	shares	623,716
Various Horizons Beta Pro Funds	371,000	units	3,292,433

Dispositions

Investment	Quantity	Type of Investment	Proceeds (\$)
TMX Group Inc.	60,000	shares	2,534,436
Bank of America Corp.	90,000	shares	701,219
CBOE Holdings Inc.	128,182	shares	3,447,422
Citigroup Inc.	30,000	shares	853,060
NYSE Euronext	22,648	shares	569,360
Various Horizons Beta Pro Funds	361,000	units	3,211,678

Recent Developments

Changes in Accounting Policy

In September, 2010, the Canadian Accounting Standards Board (“AcSB”) approved a one year deferral of adoption of IFRS for investment companies currently applying Accounting Guideline 18, Investment Companies, which include investment funds. In January 2011, the AcSB made a decision to extend the deferral of IFRS adoption by investment companies for an additional year to January 2013 and again in December 2011 decided on an additional deferral to January 2014. This resulted in a three year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. The AcSB noted in its decision summary that the deferral is a result of the delay in the International Accounting Standards Board’s investment company project and that a final standard would likely not be issued before January 2012, the previous mandatory IFRS changeover date for investment companies in Canada. As of June 30, 2012, no final standard has been issued.

Mining Claims

Urbana owns rights to mineral properties (74 claims) in Northern Quebec (Urban Township). The capitalized cost of this resource property and related expenditures was written down to a nominal value in 2009. In 2012, a company conducting mineral exploration activities in the

general area (approximately 10 kilometers from Urbana’s holdings) reported positive results. This event may, at some future date, enhance the value of Urbana’s claim group.

Related Party Transactions

Caldwell Financial Ltd. (“CFL”), a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. (“CIM”), the investment manager of Urbana. In the six month period ended June 30, 2012, CIM earned from Urbana investment management fees of \$1,292,787, inclusive of HST (June 30, 2011 – \$1,419,377). In the six month period ended June 30, 2012, CIM absorbed no expenditures relating to Urbana (June 30, 2011 - \$ Nil). As at June 30, 2012 there was an investment management fee payable of \$605,369 to CIM (December 31, 2011 – \$652,232). There were no other fees payable to related parties as at June 30, 2012.

Subsequent to its establishment, the Independent Review Committee of Urbana has made a recommendation to Urbana and CIM to execute portfolio transactions through Caldwell Securities Ltd., a sister company of CIM and a registered broker and investment dealer, provided that such transactions are executed on terms as favourable or more favourable to Urbana as those executed through broker-dealers unrelated to CIM.

On June 20, 2012, Urbana purchased from a director of CFL and the chairman of the board of Urbana respectively 38,938 and 661,062 equity shares of CFL, together representing 14.36% of CFL. The cost of the purchase was \$1,575,000 and the price paid was based on the fair valuation of CFL as conducted by an independent valuator. A special committee of the board of directors of the Corporation was appointed and chaired by an independent director, Mr. George D. Elliott, to oversee and make recommendations to the board regarding this transaction. Mr. Elliott received compensation of \$25,000 for the extensive time and effort he spent in his role as the chairman of this special committee.

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 six month period ended June 30, 2012 and for the prior five financial years.

Urbana’s Net Assets per Share ^(1,2&3)						
	Six months ended 06/30/2012	2011	2010	2009	2008	2007
Net assets, beginning of year/period	1.70	1.83	2.00	\$2.05	\$3.37	\$2.68
Realized gain(loss) for the year/period	(0.02)	(0.11)	(0.07)	(0.05)	(0.05)	0.06
Unrealized gain(loss) for the year/period	0.00	(0.09)	(0.22)	(0.00)	(1.52)	0.31
Total investment income for the year/period	0.03	0.06	(0.09)	0.08	0.07	0.06

Total expenses for the year/period, including future taxes ⁽⁴⁾ and non-controlling interest portion of loss (gain)	(0.03)	(0.01)	(0.02)	(0.05)	(0.08)	(0.13)
Distributions	Nil	Nil	Nil	Nil	Nil	Nil
Net assets, end of year/period ⁽⁵⁾	1.66	1.70	1.83	2.00	2.05	3.37

- (1) This information is derived from Urbana's audited annual financial statements and most recent unaudited interim financial statements. The net assets per share presented in the financial statements may differ from the net asset value calculated for fund valuation purposes due to differences in valuation techniques as described in the note 10 to the interim financial statements.
- (2) 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.
- (3) 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 (see note (1) above).
- (4) Total expenses include future taxes only where future taxes are an expense. Where future taxes are a revenue (i.e. a future tax credit), total expenses do not include future taxes.
- (5) This is not a reconciliation of beginning and ending net assets per share.

Ratios and Supplemental Data						
	Six months ended 06/30/2012	2011	2010	2009	2008	2007
Total net asset value(000's) ⁽¹⁾	\$117,156	\$126,669	148,103	\$174,683	\$158,821	\$262,841
Shares outstanding ⁽¹⁾	70,427,600	74,408,000	81,066,100	87,526,320	77,100,000	78,061,518
Management expense ratio excluding share issuance costs ⁽²⁾	3.58%	3.20%	2.76%	2.94%	2.77%	2.99%
Management expense ratio including share issuance costs	3.58%	3.20%	2.76%	4.32%	2.77%	10.50%
Management expense ratio excluding share issuance costs before waivers or absorptions	3.58%	3.20%	2.76%	2.94%	3.03%	3.37%
Portfolio turnover ratio ⁽³⁾	12.38%	5.56%	7.21%	2.23%	5.22%	3.00%
Trading expense ratio ⁽⁴⁾	1.49%	0.08%	0.44%	0.00%	0.08%	0.00%
Net asset value per share	\$1.66	\$1.70	\$1.83	\$2.00	\$2.06	\$3.37
Closing market price (common)	\$1.06	\$0.89	\$1.29	\$1.51	\$1.51	\$5.40
Closing market price (Class A)	\$1.02	\$0.89	\$1.23	\$1.48	\$1.35	\$5.15

- (1) This information is provided as at the end of the stated period/financial year.
- (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 portfolio turnover rate indicates how actively the corporation's investment manager manages Urbana's portfolio 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. Pursuant to a fund management and portfolio

management agreement effective as of August 1, 2011 between Urbana and CIM, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana’s investment portfolio. During the six month period ended June 30, 2012, CIM earned \$1,292,787 (inclusive of HST) of investment management fees from Urbana, as compared to \$1,419,377 during the same period in 2011. In the same periods, CIM absorbed no expenditures related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

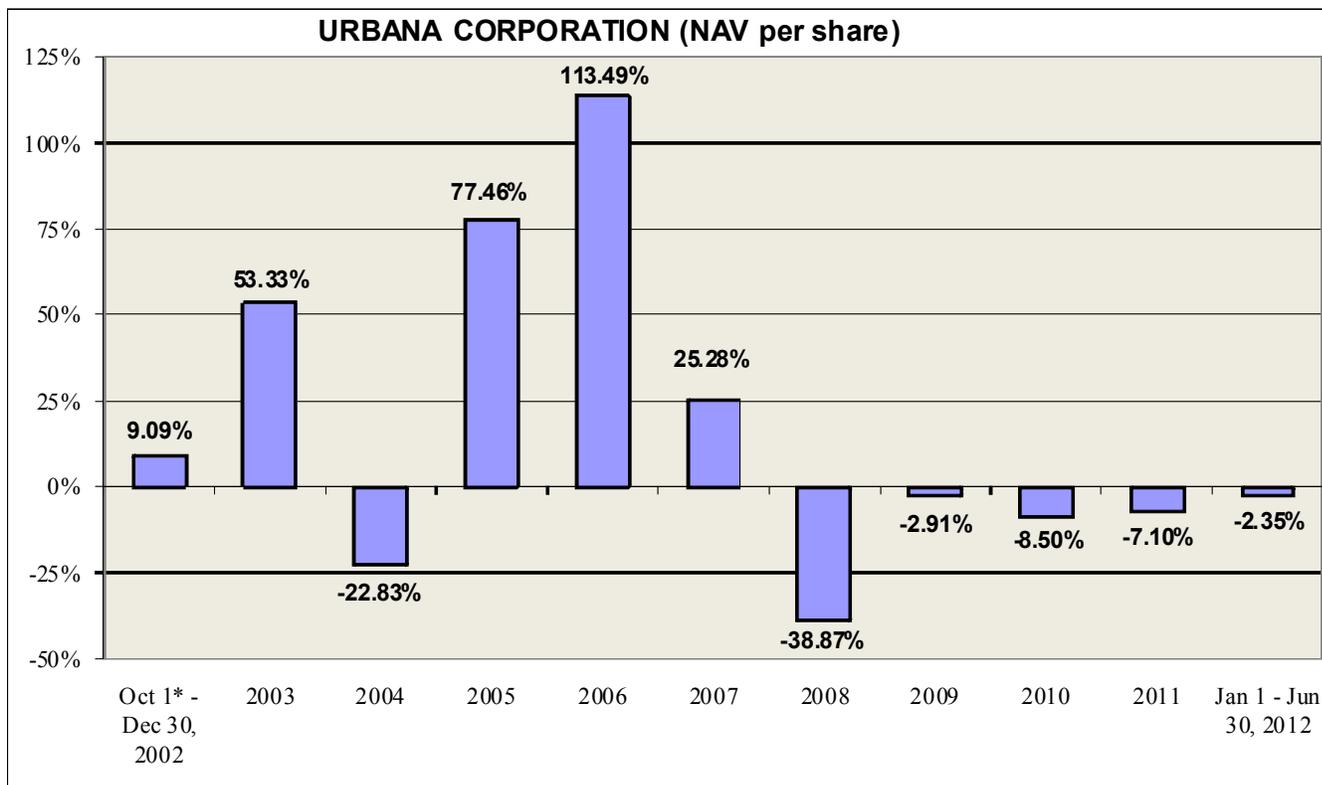
PAST PERFORMANCE

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/periods indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year/period would have grown or decreased by the last day of each financial year/period based on the net asset value (NAV) per share of Urbana.

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.



*CIM began managing Urbana’s investment portfolio on October 1, 2002.

SUMMARY OF INVESTMENT PORTFOLIO
(non-consolidated)
As at June 30, 2012

The following data is extracted from Urbana's interim financial statements:

Number of Shares, Units or Seats	Description	Cost	Fair Value	% of Portfolio Fair Value	% of Total Net Assets
Privately owned entities					
3,141,562	Bombay Stock Exchange	\$32,480,863	\$16,830,108	12.83%	14.37%
11	Kansas City Board of Trade	5,948,450	5,494,836	4.19%	4.69%
169,341	Budapest Stock Exchange	4,761,242	2,190,820	1.67%	1.87%
27	Minneapolis Grain Exchange	6,585,622	2,532,314	1.93%	2.16%
2,405,454	2232057 Ontario Inc. ¹	2,392,129	1,305,123	1.00%	1.11%
700,000	Caldwell Financial Ltd.	1,575,000	1,575,000	1.20%	1.34%
312,000	CNSX Markets Inc. ² common	1,250,000	1,250,000	0.95%	1.07%
Publicly traded securities					
1,790,000	NYSE Euronext	113,662,092	46,678,780	35.59%	39.84%
1,485,000	CBOE Holdings, Inc. common	49,099,552	41,904,288	31.95%	35.77%
100,000	TMX Group Inc.	3,918,524	4,640,000	3.54%	3.96%
30,000	Sun Life Financial Inc.	623,716	665,400	0.51%	0.57%
60,000	Manulife Financial Corp.	739,600	664,500	0.51%	0.57%
20,000	Horizons BetaPro S&O/TSX Capped Financial Bull Plus	208,600	213,000	0.16%	0.18%
20,000	Horizons BetaPro S&O/TSX Global Gold Bullion Plus	158,476	157,800	0.11%	0.13%
Other					
2,500,000	2232057 Ontario Inc. Unsecured subordinated loan ¹	2,500,000	2,500,000	1.91%	2.13%
2,000,000	Arzak Global Securities Loan	2,053,600	509,725	0.39%	0.44%
	Cash and Cash Equivalents	2,044,847	2,044,847	1.56%	1.75%
	Total	<u>\$230,002,313</u>	<u>\$131,156,541</u>	100.00%	111.95%

¹Investments in StoneCap Securities Inc.

²CNSX Markets Inc. – formerly Canadian Quotation and Trading System Inc.

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

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