

URBANA CORPORATION

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six month period ended June 30, 2013

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*

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Results of Operations

Urbana's net shareholders' equity increased from \$129 million at the end of 2012 to \$164 million at the end of June, 2013. Net assets per common share was \$2.54 per share as at June 30, 2013 compared to \$1.86 as at December 31, 2012, representing an increase of 36.56%. The main reasons for the increase in equity are the increase in the fair value of the CBOE Holdings Inc shares by \$26 million and of the NYSE Euronext shares by \$11 million, after taking into consideration the disposal of some of the holdings in these investments during the period. The

investments in Citigroup Inc, Morgan Stanley and Bank of America also increased in fair value in total by \$ 6 million. These increases were offset by a reduction in equity due to the normal course issuer bid of \$6 million and management expenses of \$ 2 million. The normal course issuer bid program, while reducing the equity in Urbana, is accretive to the net assets per common share and resulted in an increase of approximately 13 cents in the net assets per common share. 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 \$1,216,578 and \$61,387 respectively as compared to \$1,819,754 and \$125,330 for the same period in 2012.

During first six months of 2013, Urbana realized a loss of \$15,150,109 from the sales and dispositions of investments as compared to a loss of \$1,658,605 for the same period in 2012. The sale of 550,000 NYSE Euronext shares accounts for the majority of the loss in first six months of 2013. Investment management fees for the first six months of 2013 decreased by \$53,459 as compared to the same period in 2012 (2013 - \$1,239,328 and 2012 - \$1,292,787). In the first six months of 2013, foreign withholding tax decreased by \$372,127 (2013 - (\$139,549) and 2012 - \$232,578) as a result of refund on US withholding tax and a decrease in US dividends. Transaction costs decreased by \$109,586 (2013 - \$384,790 and 2012 - \$494,376).

Normal Course Issuer Bid

On August 27, 2012 the Toronto Stock Exchange accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 5,989,230 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, 2012, and will terminate on the earlier of August 28, 2013, 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 1,207,501 Non-Voting Class A Shares, being 2% of the 60,375,067 issued and outstanding Non-Voting Class A Shares as at August 19, 2012 (the date on which the notice was filed). As at June 30, 2013, Urbana has purchased 5,740,367 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of \$1.17 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, August 28 2010 to August 27, 2011 and August 29, 2011 to August 28, 2012 ("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 7,431,300 Non-Voting Class A Shares at \$1.27 per share and 6,636,033 Non-Voting Class A Shares at \$1.01 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 2.50% (prior to April 29, 2013, 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, 2013, the outstanding balance of the loan was \$2,700,000 representing 1.64% of the net assets of Urbana.

Acquisitions and Dispositions of Investments

From January 1, 2013 to June 30, 2013, Urbana made the following significant acquisitions and dispositions of investments:

Acquisitions

Investment	Quantity	Type of Investment	Cost (\$)
Morgan Stanley	500,000	shares	11,313,108
Citigroup Inc.	100,000	shares	4,359,128
Bank of America Corp.	500,000	shares	5,979,572
Barrick Gold Corp.	100,000	shares	1,661,610
CNSX Markets Inc.	2,904,830	shares	1,133,302
Manulife Financial Corporation	140,000	shares	2,034,760
Sun Life Financial Inc.	70,000	shares	2,003,388
Minneapolis Grain Exchange	5	seats	693,737

Disposition

Investment	Quantity	Type of Investment	Proceeds (\$)
CBOE Holdings Inc.	335,000	shares	12,496,478
NYSE Euronext	550,000	shares	18,914,880
TMX Group Inc.	10,000	shares	541,199
Argent Energy Trust	8,000	shares	78,916

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 2013 there has been some limited exploration activity in Urban Township by other companies with land positions there. In general, exploration activity at some future date may enhance the value of Urbana's claim group.

Future Changes in Accounting Standards

The effective date on which International Financial Reporting Standards ("IFRS") would be applicable to Urbana is January 1, 2014. Urbana would prepare its first IFRS financial statements with 2013 comparatives for the 6 month interim period ending June 30, 2014. Urbana's express business purpose is to invest funds for returns from capital appreciation and investment income. The company is presently evaluating the impact of adopting IFRS on its financial statements.

Related Party Transactions

Caldwell Financial Ltd., 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, 2013, CIM earned from Urbana investment management fees of \$1,239,328 inclusive of HST (2012 – \$1,292,787). In the six month period ended June 30, 2013, CIM absorbed no expenditures relating to Urbana (2012 - \$ Nil). As at June 30, 2013 there was an investment management fee payable of \$657,530 to CIM (December 31, 2012 – \$534,565). There were no other fees payable to related parties as at June 30, 2013.

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.

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, 2013 and for the prior five financial years.

Urbana’s Net Assets per Share ^(1&2)						
	Six months ended 06/30/2013	2012	2011	2010	2009	2008
Net assets, beginning of year/period	\$1.86	\$1.70	\$1.83	\$2.00	\$2.05	\$3.37
Realized loss for the year/period	(0.22)	(0.22)	(0.11)	(0.07)	(0.05)	(0.05)
Unrealized gain(loss) for the year/period	0.84	0.38	(0.09)	(0.22)	(0.00)	(1.52)
Total investment income for the year/period	0.02	0.08	0.06	(0.09)	0.08	0.07
Total expenses for the year/period, including future taxes ⁽³⁾ and non-controlling interest portion of loss (gain)	0.03	(0.06)	(0.01)	(0.02)	(0.05)	(0.08)
Distributions	Nil	Nil	Nil	Nil	Nil	Nil
Increase in contributed surplus from NCIB purchases	0.13	0.13	0.15	0.11	0.00	0.02
Net assets, end of year/period ⁽⁴⁾	2.54	1.86	1.70	1.83	2.00	2.05

- (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 9 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) Total expenses include future taxes only where future taxes are an expense. Where future taxes are revenue (i.e. a future tax credit), total expenses do not include future taxes.
- (4) This is not a reconciliation of beginning and ending net assets per share.

Ratios and Supplemental Data						
	Six months ended 06/30/2013	2012	2011	2010	2009	2008
Total net asset value(000's) ⁽¹⁾	\$164,220	\$129,073	\$126,669	148,103	\$174,683	\$158,821
Shares outstanding ⁽¹⁾	64,634,700	69,579,000	74,408,000	81,066,100	87,526,320	77,100,000
Management expense ratio excluding share issuance costs ⁽²⁾	2.01%	3.45%	3.20%	2.76%	2.94%	2.77%
Management expense ratio including share issuance costs	2.01%	3.45%	3.20%	2.76%	4.32%	2.77%
Management expense ratio excluding share issuance costs before waivers or absorptions	2.01%	3.45%	3.20%	2.76%	2.94%	3.03%
Portfolio turnover ratio ⁽³⁾	46.34%	21.65%	5.56%	7.21%	2.23%	5.22%
Trading expense ratio ⁽⁴⁾	0.52%	0.63%	0.08%	0.44%	0.00%	0.08%
Net asset value per share	\$2.54	\$1.86	\$1.70	\$1.83	\$2.00	\$2.06
Closing market price (common)	\$1.32	\$1.00	\$0.89	\$1.29	\$1.51	\$1.51
Closing market price (Class A)	\$1.39	\$0.97	\$0.89	\$1.23	\$1.48	\$1.35

(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, 2013, CIM earned \$1,239,328 (inclusive of HST) of investment management fees from Urbana, as compared to \$1,292,787 during the same period in 2012. In the same periods, CIM absorbed no expenditures related to Urbana. The investment management fees are accrued and paid quarterly in arrears.

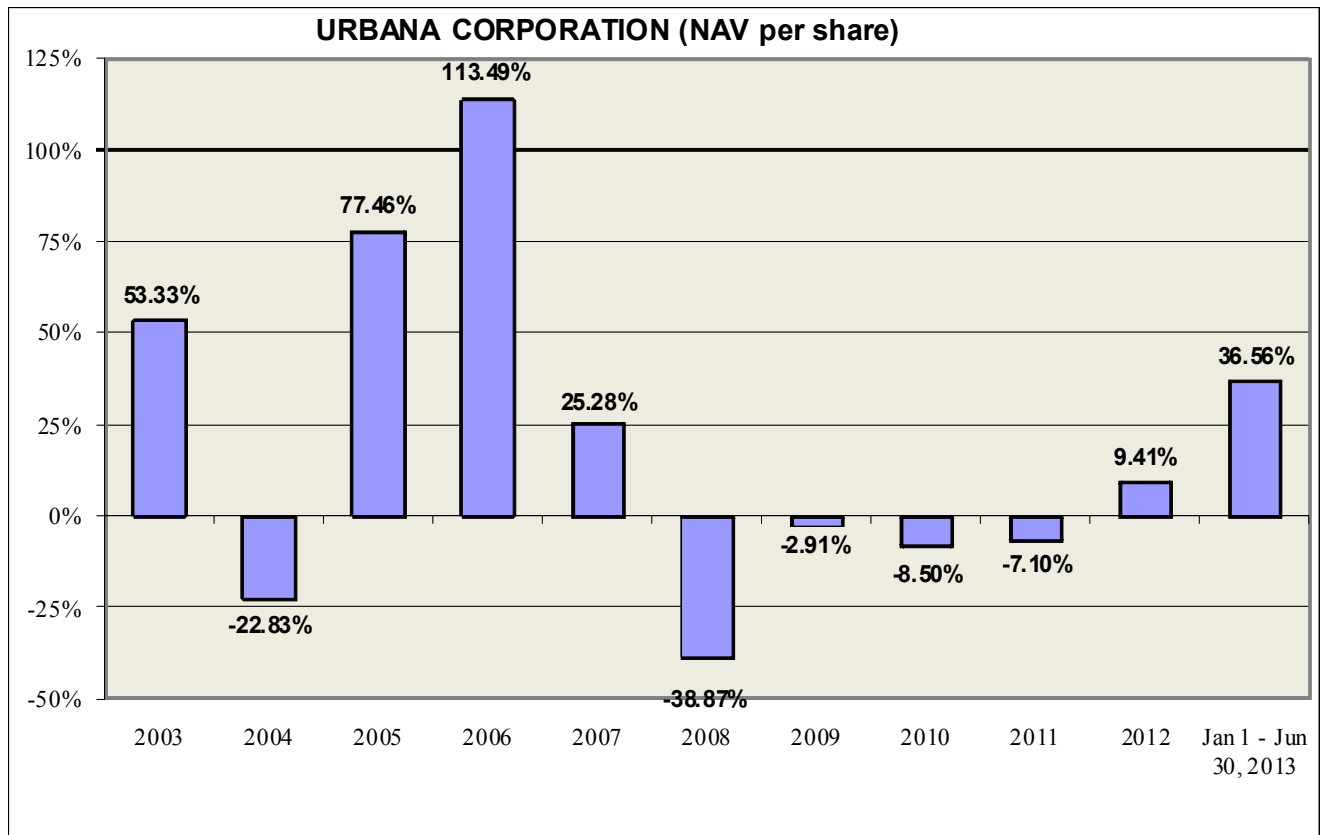
PAST PERFORMANCE

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, 2013

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	\$17,054,044	9.98%	10.38%
32	Minneapolis Grain Exchange	7,279,359	4,880,352	2.85%	2.97%
10,056,236	CNSX Markets Inc. common stock	4,834,974	4,022,494	2.35%	2.45%
169,341	Budapest Stock Exchange	4,761,242	2,089,919	1.22%	1.27%
759,000	Caldwell Financial Ltd.	1,707,750	1,844,370	1.08%	1.12%
2,674,532	2232057 Ontario Inc. ¹	2,502,451	-	0.00%	0.00%
6,000	iCanTrade Corp.	150,000	-	0.00%	0.00%
Publicly traded securities					
1,150,000	CBOE Holdings Inc.	38,023,222	56,402,249	32.99%	34.35%
750,000	NYSE Euronext	47,623,782	32,642,613	19.10%	19.88%
1,000,000	Bank of America Corp.	11,321,702	13,505,112	7.90%	8.22%
250,000	Citigroup Inc.	10,063,664	12,611,082	7.38%	7.68%
200,000	Manulife Financial Corp.	2,774,360	3,362,000	1.97%	2.05%
100,000	Sun Life Financial Inc.	2,627,104	3,100,000	1.81%	1.89%
500,000	Morgan Stanley	11,313,108	12,858,255	7.52%	7.83%
68,500	Jovian Capital Corp.	567,349	490,460	0.29%	0.30%
100,000	Barrick Gold	1,661,610	1,681,000	0.98%	1.02%
Other					
2,500,000	2232057 Ontario Inc. ¹	2,500,000	2,300,000	1.35%	1.40%
	Cash and Cash Equivalents	2,103,142	2,103,142	1.23%	1.28%
	Total	\$184,295,682	\$170,947,092	100.00%	104.10%

¹ Investments in StoneCap Securities 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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