Financial statements of

Urbana Corporation

June 30, 2014

(Unaudited)

Urbana Corporation
June 30, 2014 (Unaudited)

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Urbana Corporation

Statements of financial position

(Unaudited)
(In Canadian dollars)

	June 30, 2014	December 31, 2013	January 1, 2013
	$	$	$
Assets			
Cash and cash equivalents (Note 3)	**833,212**	676,774	4,232,076
Investments, at fair value (Note 3)	**171,413,089**	182,954,875	129,676,657
Sundry receivables (Note 7)	**270,133**	895,523	25,892
Prepaid expenses	**8,083**	18,943	19,053
	172,524,517	184,546,115	133,953,678
Liabilities			
Loan payable (Note 5)	**1,000,000**	8,700,000	-
Deferred tax liability (Note 8)	**800,000**	-	-
Accounts payable and accrued liabilities	**852,400**	991,774	4,880,654
	2,652,400	9,691,774	4,880,654
Shareholders' equity			
Share capital (Note 6)	**150,884,274**	154,064,015	180,237,972
Contributed surplus	**61,505,841**	60,375,578	47,323,015
Deficit	**(42,517,998)**	(39,585,252)	(98,487,963)
Shareholders' equity representing net assets	**169,872,117**	174,854,341	129,073,024
Total liabilities and shareholders' equity	**172,524,517**	184,546,115	133,953,678
Number of shares outstanding (Note 6)	**59,425,300**	60,525,200	69,579,000
Net assets per share - basic and diluted	**2.86**	2.89	1.86

Approved by the Board:

Thomas S. Caldwell ________________ Director

Michael Boyd ________________ Director

See accompanying notes.

Urbana Corporation

Statements of operations and comprehensive income
for the six months ended June 30

(Unaudited)
(In Canadian dollars)

	2014	2013
	$	$
Revenue		
Net realized gain (loss) on sale and disposal of investments	**4,661,016**	(15,150,109)
Net change in unrealized gain (loss) on foreign exchange and investments	**(2,439,560)**	56,874,157
Dividends	**1,090,986**	1,216,578
Interest	**37,149**	61,387
Total operating income (loss)	**3,349,591**	43,002,013
Expenses		
Investment management fees (Note 7)	**1,515,954**	1,239,328
Interest	**136,809**	39,558
Administrative	**272,192**	192,783
Transaction costs	**97,361**	384,790
Audit fees	**46,217**	41,020
Director fees	**29,865**	19,910
Shareholder reporting costs	**27,881**	36,825
Insurance	**10,860**	10,498
Legal fees	**4,913**	-
Independent Review Committee fees	**17,913**	4,434
Bad debts (Note 7)	**324,095**	-
	2,484,060	1,969,146
Net income before income taxes	**865,531**	41,032,867
Foreign witholding taxes	**(1,723)**	(139,549)
Provision for future income taxes (Note 8)	**800,000**	-
Total profit for the period	**67,254**	41,172,416
Basic and diluted earnings per share	**0.00**	0.61
Weighted average number of shares outstanding	**59,992,929**	67,446,057

See accompanying notes.

Urbana Corporation

Statement of changes in deficit
for the six months ended June 30

(Unaudited)
(In Canadian dollars)

	Share capital	Contributed surplus	Deficit	Total
	$	$	$	$
Balance at January 1, 2013	180,237,972	47,323,015	(98,487,963)	129,073,024
Profit for the year			58,902,711	58,902,711
Normal course issuer bid payment/redemption	(26,173,957)	13,052,563		(13,121,394)
Balance at December 31, 2013	154,064,015	60,375,578	(39,585,252)	174,854,341
Profit for the period			67,254	67,254
Dividends paid			(3,000,000)	(3,000,000)
Normal course issuer bid payment/redemption	(3,179,741)	1,130,263		(2,049,478)
Balance at June 30, 2014	**150,884,274**	**61,505,841**	**(42,517,998)**	**169,872,117**

See accompanying notes.

Urbana Corporation

Statements of cash flows
for the six months ended June 30

(Unaudited)
(In Canadian dollars)

	2014	2013
	$	$
Operating activities		
Total results of operations for the period	**67,254**	41,172,416
Items not affecting cash		
Loss on sale and disposal of investments	**(4,661,016)**	15,150,109
Unrealized net gain (loss) on foreign exchange and investments	**2,439,560**	(56,874,157)
Provision for future income taxes	**800,000**	-
	(1,354,202)	(551,632)
Net change in non-cash working capital items		
Sundry receivables	**625,390**	892
Prepaid expenses	**10,860**	(339,502)
Accounts payable and accrued liabilities	**(139,374)**	(1,793,472)
	496,876	(2,132,082)
Cash used in operating activities	**(857,326)**	(2,683,714)
Financing activities		
Proceeds from loan payable	**(7,700,000)**	2,700,000
Dividends paid	**(3,000,000)**	-
Normal course issuer bid repurchases payments	**(2,049,478)**	(6,025,903)
Cash used in financing activities	**(12,749,478)**	(3,325,903)
Investing activities		
Purchases of investments	**(14,196,378)**	(31,707,376)
Proceeds on sale of investments	**27,959,620**	33,779,887
Cash flow from investing activities	**13,763,242**	2,072,511
Net change in cash during the period	**156,438**	(3,937,106)
Cash and cash equivalents, beginning of period	**676,774**	4,232,076
Cash and cash equivalents, end of period	**833,212**	294,970

See accompanying notes.

Urbana Corporation

Schedule of investment portfolio as at June 30, 2014

(Unaudited)
(In Canadian dollars)

Number of shares	Description	Cost	Fair value
		$	$
	Privately owned entities		
2,350,699	Caldwell India Holdings Inc. (i)	26,259,711	15,027,696
791,000	Urbana Mauritius Inc. (ii)	6,077,244	5,020,814
10,324,506	CNSX Markets Inc. common stock	4,995,936	6,194,704
32	Minneapolis Grain Exchange (seats)	7,279,359	6,646,536
169,341	Budapest Stock Exchange (shares)	4,761,242	2,222,627
759,000	Caldwell Financial Ltd. (Note 9)	1,707,750	2,193,510
1,950,040	Radar Capital Fund 1 Limited Partnership	1,950,040	1,950,040
3,750,000	Real Matters Inc.	4,500,000	4,500,000
3,000,000	Highview Investments Limited Partnership	3,000,000	3,000,000
318,327,260	Caldwell Growth Opportunities Trust	2,600,000	2,625,722
		63,131,282	49,381,649
	Publicly traded securities		
625,000	CBOE Holdings Inc.	20,664,795	32,760,020
45,000	Intercontinental Exchange Group Inc.	9,346,153	9,054,308
300,000	Citigroup Inc.	13,069,871	15,050,570
1,200,000	Bank of America Corp.	14,386,684	19,645,627
800,000	AGF Management Ltd.	10,200,638	9,984,000
700,000	Barrick Gold Corp.	13,038,664	13,675,135
600,000	Morgan Stanley	14,411,923	20,661,780
		95,118,728	120,831,440
	Other		
	Edgecrest Capital Holdings Inc. (iii)	1,200,000	1,200,000
		1,200,000	1,200,000
		159,450,010	171,413,089

(i) Urbana owns 58.54% of the outstanding shares of Caldwell India Holdings Inc., which holds 4,015,544 equity shares of the Bombay Stock Exchange (BSE)

(ii) Urbana Mauritius Inc. is a wholly-owned subsidiary of Urbana which holds 791,000 equity shares of the Bombay Stock Exchange (BSE)

(iii) The Company holds an unsecured subordinated 8% promissory note, $500,000 of which is repayable on January 27, 2015 and the remaining $700,000 is repayable on January 27, 2016.

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 Company's registered head office is Box 47, 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9.

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. First time adoption of IFRS

These are Urbana's first Financial Statements prepared in accordance with International Financial Reporting Standards "IFRS". The date of transition to IFRS was January 1, 2013.

The Company's IFRS accounting policies presented in Note 2 have been applied in preparing the Financial Statements for the six-month period ended June 30, 2014, the comparative information and the opening Statement of Financial Position at the date of transition.

The Company has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* "IFRS 1", in preparing these first IFRS Financial Statements. IFRS 1 sets out the procedures that the Company must follow when it adopts IFRS for the first time as the basis for preparing its Financial Statements. The Company is required to establish its IFRS accounting policies as at June 30, 2014 and, in general, apply these retrospectively to determine the IFRS opening consolidated Balance Sheet at its date of transition, January 1, 2013.

There is no impact on shareholders' equity, net income and comprehensive income as a result of adopting IFRS.

The accompanying note disclosure provides details on the principal adjustments made by the Company in restating its Canadian GAAP consolidated financial statements as at January 1, 2013, June 30, 2013 and December 31, 2013 and its results of operations and changes in net assets for the six months ended June 30, 2013.

Mandatory exceptions adopted

a) Financial assets and liabilities that had been de-recognized before the date of transition to IFRS under Canadian GAAP have not been recognized under IFRS.

b) The Company has used estimates under IFRS that are consistent with those applied under Canadian GAAP.

Impact of conversion

The Company's transition to IFRS has had no significant impact on the deficit as at January 1, 2013 and December 31, 2013 or the statement of operations and comprehensive income for the six months ended June 30, 2013.

The Company reclassified certain amounts upon transition in order to conform to the accounting policies adopted under IFRS. The investments in the subsidiaries; Caldwell India Holdings Inc. ("CIHI") and Urbana Mauritius Inc. ("UMI"), previously were consolidated and are now accounted for at fair value. Accordingly, certain account balances previously presented, such as non-controlling interest, are no longer shown on the financial statements and are reflected in the fair value of the investments.

As a result of the opening deficit not being impacted by the transition to IFRS, the reconciliations and disclosures required by IFRS 1 for the consolidated deficit at the transition date and the comparative period consolidated net income, changes in net assets and deficit and cash flows are not necessary and have not been presented in these financial statement notes.

2. Summary of significant accounting policies

Basis of presentation

These Financial Statements present the financial position and results of operations of the Company in accordance with IFRS and are presented in compliance with International Accounting Standard "IAS" 34, *Interim financial reporting*.

The Company qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, *Consolidated Financial Statements*:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgments or assumptions were made in determining that the Company meets the definition of an investment entity as defined in IFRS 10.

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

Judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the reporting period. Actual results could differ from those estimates. Significant estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax asset.

In classifying and measuring financial instruments held by the Fund, Urbana is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39 "Financial Instruments – Recognition and Measurement". The most significant judgments made include the determination whether certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Foreign currency

(a) Functional and presentation currency

The Company's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars.

(b) Foreign currency translation

The monetary assets and liabilities of the Company are translated into Canadian dollars, the Company's functional currency, at exchange rates in effect at the date of the statement of net assets. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the statement of operations for the period. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit, treasury bills, commercial paper and bankers' acceptances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in values.

Financial instruments

The Company's financial instruments are comprised of cash and cash equivalents, investments, sundry receivables, loan payable and accounts payable. The Company recognizes financial instruments at fair value upon initial recognition.

Investments have been designated at fair value through profit or loss ("FVTPL") with gains and losses recorded in net income. Cash and cash equivalents and sundry receivables are recorded as loans and receivables and are carried at amortized cost. Loan payable and accounts payable are recorded as other financial liabilities and are carried at amortized cost. The carrying values approximate their fair values due to their short-term maturities.

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13 "Fair Value Measurement". Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed or principally traded.

The Minneapolis Grain Exchange ("MGEX") is valued based on the current price of a seat, as quoted by the exchange.

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 are valued as described above, with an appropriate discount as determined by management.

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. 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 cash flows, 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. Unrealized gains and losses on investments are recognized in the statements of operations.

The Company takes its own credit risk and the risk of its counterparties into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and financial liabilities in the Company's financial statements incorporate appropriate levels of credit risk.

There are inherent uncertainties in the process of valuing investments for which there are no published markets. As such, 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.

Refer to Note 3 for the classification of the fair value measurements.

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the consolidated statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average basis.

2. Summary of significant accounting policies (continued)

Resource properties

Urbana has owned resource properties in Urban Township, Quebec for a number of years. All development costs have been written off as no expenditures on exploration or evaluation have occurred since 2005.Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its resource properties if and when it is deemed suitable. In 2013, there has been some limited exploration activity in Urban Township by other companies with land positions in the area.

Deferred income taxes

The Company accounts for income taxes using the liability method, whereby deferred 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 period is the tax payable for the period and any change during the period in the deferred tax assets and liabilities. A valuation allowance is provided to the extent that it is not probable that deferred tax assets will not be realized.

Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Realized gains and losses from investment transactions and unrealized net gain or loss on foreign exchange and investments are calculated on an average cost basis.

Earnings per share

Basic earnings per share is computed by dividing the total results of operations for the period by the weighted average number of common shares outstanding during the period, 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.

3. 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.

3. Fair value measurement (continued)

Level 3 valuation methods

Description	Fair value	Primary Valuation technique used	Significant unobservable inputs	Range of input values	Weighted average
Private exchange seats with no recent transactions	22,271,137	Analysis of comparable exchanges	Not applicable	Not applicable	Not applicable
Private exchange seats with access to recent transactions	11,013,936	Comparison to last sale	Not applicable	Not applicable	Not applicable
Private investments with no market for resale	9,450,040	Cost	Not applicable	Not applicable	Not applicable
Private debt	1,200,000	Discounted cash flow	Discount rate	8%	8%
Ending balance	43,935,113				

The following is a summary of the Company's investments categorized in the fair value hierarchy as at June 30, 2014, December 31, 2013 and January 1, 2013:

				June 30, 2014
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Cash	**833,212**	**-**	**-**	**833,212**
Publicly traded securities	**120,831,440**	**-**	**-**	**120,831,440**
Privately owned entities	**-**	**6,646,536**	**42,735,113**	**49,381,649**
Other	**-**	**-**	**1,200,000**	**1,200,000**
	121,664,652	**6,646,536**	**43,935,113**	**172,246,301**

				December 31, 2013
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	676,774	-	-	676,774
Publicly traded securities	146,079,013	-	-	146,079,013
Privately owned entities	-	4,760,000	30,615,862	35,375,862
Other	-	-	1,500,000	1,500,000
	146,755,787	4,760,000	32,115,862	183,631,649

3. Fair value measurement (continued)

				January 1, 2013
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	4,232,076	-	-	4,232,076
Publicly traded securities	98,643,157	-	-	98,643,157
Privately owned entities	-	2,688,390	25,845,110	28,533,500
Other	-	-	2,500,000	2,500,000
	102,875,233	2,688,390	28,345,110	133,908,733

During the six month period ended June 30, 2014 and the year ended December 31, 2013 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

			June 30, 2014
	Privately owned entities	**Other**	**Total**
	$	**$**	**$**
Beginning balance	**30,615,862**	**1,500,000**	**32,115,862**
Purchases	**7,050,000**	**1,200,000**	**8,250,000**
Change in unrealized gains on foreign exchange and investments	**7,571,702**	**-**	**7,571,702**
Sales	**(2,502,451)**	**(1,500,000)**	**(4,002,451)**
Ending balance	**42,735,113**	**1,200,000**	**43,935,113**

			December 31, 2013
	Privately owned entities	Other	Total
	$	$	$
Beginning balance	25,845,110	2,500,000	28,345,110
Purchases	6,144,304	-	6,144,304
Change in unrealized (losses) on foreign exchange and investments	(3,115,278)	(1,000,000)	(4,115,278)
Sales	-	-	-
Ending balance	30,615,862	1,500,000	32,115,862

For the six month period ended June 30, 2014, there were no transfers into/out of Level 3 investments. There were no transfers into/out of Level 3 investments for the year ended December 31, 2013. The potential impact of using reasonable possible alternative assumptions for valuing holdings that are classified as Level 3 financial instruments would increase or decrease their fair value by up to $1.8 million (December 31, 2013 - $1.6 million; January 1, 2013 - $2.3 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.

4. 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, 2014, the Company holds approximately $1.2 million (December 31, 2013 - $1.5 million; January 1, 2013 - $2.5 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer and the security provided against the outstanding amount. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the consolidated statements of net assets.

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, 2014, the Company had a demand loan for $1,000,000 (December 31, 2013 - $8,700,000; January 1, 2013 - $Nil), representing 0.6% (December 31, 2013 - 5.0%; January 1, 2013 - 0%) 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, 2014, December 31, 2013 and January 1 2013.

	June 30, 2014	December 31, 2013	January 1, 2013
Currency	**As % of net assets**	As % of net assets	As % of net assets
	%	%	%
United States Dollars	**62.34**	67.84	76.49
Indian Rupee	**11.80**	8.41	13.90
Other	**1.31**	1.22	1.55
	75.45	77.47	91.94

The Company's net assets would decrease or increase by approximately $6,408,337 (December 31, 2013 - $7,058,354; January 1, 2013 - $5,933,151) 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.

4. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as 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.

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, 2014		1,200,000	-	-	1,200,000
December 31, 2013	-	1,500,000	-	-	1,500,000
January 1, 2013	-	2,500,000	-	-	2,500,000
Loan payable					
June 30, 2014	1,000,000	-	-	-	1,000,000
December 31, 2013	8,700,000	-	-	-	8,700,000
January 1, 2013	-	-	-	-	-

As at June 30, 2014, 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 $31,144 (December 31, 2013 - $42,411). 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 and privately traded securities. As at June 30, 2014, for publicly traded securities, 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 $12,083,144 (December 31, 2013 - $14,607,901) (approximately 7.11% (December 31, 2013 – 8.35%) 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, in accordance with the Company's investment objectives. The Company is not subject to any capital requirements imposed by a regulator. The Company must comply with the covenants on the loan payable (Note 5).

5. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with the Bank of Montreal. In September 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 2.5% (prior to April 2013, 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, 2014, the outstanding balance of the loan was $1,000,000 (December 31, 2013 - $8,700,000) (January 1, 2013 - $Nil) which is the fair value of the loan. As at June 30, 2014, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

6. Share capital

At June 30, 2014 share capital consists of the following:

		Six month period ended June 30, 2014		Year ended December 31, 2013
	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	50,525,200	146,065,122	59,579,000	172,239,079
Normal Course Issuer Bid Redemption (a)	(1,099,900)	(3,179,741)	(9,053,800)	(26,173,957)
Balance, end of period	49,425,300	142,885,381	50,525,200	146,065,122
Total	59,425,300	150,884,274	60,525,200	154,064,015

6. Share capital (continued)

(a) On August 27, 2013 the Toronto Stock Exchange ("TSX") accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 5,394,023 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, 2013, and will terminate on the earlier of August 28, 2014, 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 1,087,720 Non-Voting Class A Shares, being 2% of the 54,386,000 issued and outstanding Non-Voting Class A Shares as at August 27, 2013 (the date on which the notice was filed). As at June 30, 2014, Urbana has purchased 4,960,700 Non-Voting Class A Shares pursuant to the NCIB. These shares were purchased on the open market at an average purchase price of $1.77 per share. Previously, the TSX 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, August 29, 2011 to August 28, 2012 and August 29, 2012 to August 28, 2013 ("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, 6,636,033 Non-Voting Class A Shares at $1.01 per share and 5,989,067 Non-Voting Class A Shares at $1.18 per share.

7. Related party transactions

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

Pursuant to a fund management and portfolio management agreement effective as of August 1, 2011 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 Company's investment portfolio. Prior to August 1, 2011, CIM charged an investment management fee equal to 1.5% per annum of the market value of the equity securities in the Company's investment portfolio and 0.50% of the market value of the fixed income securities in the Company's investment portfolio. The investment management fees are accrued and paid quarterly in arrears. In the six month period ended June 30, 2014 and June 30, 2013, investment management fees of $1,515,953 and $1,239,328 respectively were earned by CIM. For the six months ended June 30, 2014 and June 30, 2013, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of $736,850 (December 31, 2013 - $758,265) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

The Company has a 50% ownership interest in Radar Capital Inc. (RCI), a private capital company, and Urbana SRL Inc. (SRL), a company that markets an investment management software. As at June 30, 2014, Urbana has advanced RCI $500,000 (December 31, 2013 - $500,000; January 1, 2013 - $Nil) and SRL $500,000 (December 31, 2013 - $350,000; January 1, 2013 - $Nil) for operating purposes. Included in accounts receivable is $269,867 from RCI and SRL. In addition, the bad debts of $324,095 relate to these advances. At June 30, 2014, Urbana has made investments of $1,950,040 (December 31, 2013 - $500,040; January 1, 2013 - $Nil) and $3,000,000 (December 31, 2013 - $Nil; January 1, 2013 - $Nil) in limited partnerships that are managed by RCI.

All related party transactions are recorded at their exchange amounts.

8. Income taxes

The Company's provision for income taxes for the six months ended June 30, 2014 and for the six months ended June 30, 2013 is summarized as follows:

	2014	2013
	$	$
Net income before income taxes	**867,253**	41,172,416
Expected income taxes payable at future rates - 26.5% (2013 - 26.5%)	**229,822**	10,910,690
Income tax effect of the following:		
Non-taxable portion of realized capital transactions (gains) losses	**(617,585)**	2,007,389
Non-taxable portion of unrealized capital losses (gains)	**323,242**	(7,535,826)
Utilization of losses not previously recognized	**(1,613,279)**	(4,000,000)
Other	**2,477,800**	(1,382,253)
	800,000	-

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

	June 30, 2014	December 31, 2013
	$	$
Resource deductions available in perpetuity	**(14,525)**	(14,525)
Unrealized capital gains on investments	**1,633,714**	360,373
Tax benefit of capital loss carryforwards	**-**	(165,190)
Tax benefit of non-capital loss carryforwards (expiring 2031/2032)	**(823,363)**	(1,793,937)
Valuation allowance	**-**	1,613,279
Other	**4,174**	-
Total deferred income tax liability	**800,000**	-

9. Future accounting developments

IFRS 9 Financial Instruments is a multi-phase project to replace IAS 39 Financial Instruments:

Recognition and measurement. The first phase, issued in November 2009, addresses the classification, measurement and derecognition of financial assets and financial liabilities. In November 2013, the International Accounting Standards Board (IASB) issued the second phase of the project which substantially overhauled accounting requirements related to hedging. The third phase, which introduces limited amendments to the classification and measurement requirements already included in IFRS 9 and a new credit loss impairment model, is expected to be issued as part of the completed version of IFRS 9 in the second quarter of 2014. The tentative mandatory effective date is for annual periods beginning on or after January 1, 2018.

IFRS 9 divides all financial assets that are currently in the scope of IAS 39 into two classifications – those measured at amortised cost and those measured at fair value. Classification is made at the time the financial asset is initially recognised when the entity becomes a party to the contractual provisions of the instrument. The transition guidance is complex and mainly requires retrospective application.

Most of the requirements in IAS 39 for the classification and measurement of financial liabilities have been carried forward unchanged to IFRS 9. Where an entity chooses to measure its own debt at fair value, IFRS 9 now requires the amount of the change in fair value due to changes in the issuing entity's own credit risk to be presented in other comprehensive income. An exception to the new approach is made where the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss, in which case all gains or losses on that liability are to be presented in profit or loss. Prior to the second phase amendments, an entity wishing to apply the guidance regarding measurement of its own debt was required to apply all of the requirements related to classification and measurement of financial instruments in IFRS 9; however, an entity is now able to early adopt this guidance relating to measurement of its own debt before applying any of the other requirements in IFRS 9.

The requirements in IAS 39 related to derecognition of financial assets and financial liabilities have been incorporated unchanged into IFRS 9.

IFRS 9 does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements, but instead requires modified disclosures on transition.

The second phase amendments related to hedge accounting more closely align it with entities' risk management activities by increasing eligibility of hedged items and hedging instruments, and introducing a more principles-based approach to assessing hedging effectiveness.

The third phase amendments introduce limited amendments to the classification and measurement requirements already included in IFRS 9 as well as a new credit loss impairment model. The objective of this phase is to improve the amortized cost measurement, and in particular the transparency of provisions for losses on loans and for the credit quality of financial assets.

The IASB has a separate active project on accounting for macro hedging.

The company is currently assessing the full impact of IFRS 9 on its financial statements.