Consolidated financial statements of

Urbana Corporation

June 30, 2012

(Unaudited)

Urbana Corporation
June 30, 2012 (Unaudited)

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Urbana Corporation

Consolidated statements of net assets as at

(In Canadian $)

	June 30, 2012 (Unaudited)	December 31, 2011 (Audited)
	$	$
Assets		
Cash and cash equivalents	**2,044,847**	2,708,145
Investments, at fair value	**138,031,406**	143,332,542
Sundry receivables	**90,844**	91,496
Prepaid expenses	**20,440**	34,963
Income taxes (Note 11)	**2,000,000**	5,000,000
	142,187,537	151,167,146
Liabilities		
Loan payable (Note 5)	**14,500,000**	13,600,000
Accounts payable and accrued liabilities	**1,153,472**	864,947
	15,653,472	14,464,947
Non-controlling interest (Note 4)	**9,377,913**	10,033,626
Net assets	**117,156,152**	126,668,573
Shareholders' equity		
Share capital (Note 6)	**182,893,673**	194,414,090
Contributed surplus (Note 7)	**45,420,796**	38,044,864
Deficit	**(111,158,317)**	(105,790,381)
Shareholders' equity representing net assets	**117,156,152**	126,668,573
Total liabilities and shareholders' equity	**142,187,537**	151,167,146
Number of shares outstanding (Note 6)	**70,427,600**	74,408,000
Net assets per share - basic and diluted	**1.66**	1.70

Approved by the Board

Thomas S. Caldwell Director

Michael Gundy Director

See accompanying notes.

Urbana Corporation

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

(In Canadian $)

	2012	2011
	$	$
Gains/losses		
Loss on sale and disposal of investments	**(1,658,605)**	(3,380,078)
Investment income		
Dividends	**1,819,754**	1,727,973
Interest	**125,330**	204,786
Loss on foreign exchange	**(3,287)**	(19,707)
	1,941,797	1,913,052
Expenses		
Investment management fees (note 9)	**1,292,787**	1,419,377
Interest	**413,573**	406,392
Foreign withholding taxes	**232,578**	200,354
Administrative	**147,434**	220,035
Transaction costs	**494,376**	10,078
Audit fees	**69,454**	57,090
Director fees	**23,735**	25,296
Shareholder reporting costs	**19,427**	30,718
Insurance	**15,346**	15,262
Legal fees	**1,587**	6,666
Independent Review Committee fees	**2,925**	3,077
License fees	**742**	727
	2,713,964	2,395,072
Net (loss) gain before unrealized net loss on foreign exchange and investments, non-controlling interest and income taxes	**(2,430,772)**	(3,862,098)
Change in unrealized net gain (loss) on foreign exchange and investments	**(592,877)**	2,058,894
Net (loss) before non-controlling interest and income taxes	**(3,023,649)**	(1,803,204)
Non-controlling interest portion of loss	**655,713**	3,378,555
Net (loss) income before income taxes	**(2,367,936)**	1,575,351
(Provision for) recovery of income taxes (note 11)		
Current	**-**	-
Future	**(3,000,000)**	-
	(3,000,000)	-
Total results of operations for the year	**(5,367,936)**	1,575,351
Basic and diluted earnings (loss) per share	**(0.07)**	0.02
Weighted average number of shares outstanding	**72,497,957**	79,136,986

See accompanying notes.

Urbana Corporation

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

(In Canadian $)

	2012	2011
	$	$
Net assets		
Shareholders' equity representing net assets, beginning of period	**126,668,573**	148,097,106
Operating activities		
Total results of operations for the period	**(5,367,936)**	1,575,351
Capital transactions (Notes 6 and 7)		
Normal course issuer bid repurchases payments	**(4,144,485)**	(5,308,297)
Total capital transactions	**(4,144,485)**	(5,308,297)
Net assets, end of period	**117,156,152**	144,364,160
(Deficit)		
(Deficit), beginning of period	**(105,790,381)**	(92,198,556)
Total results of operations for the period	**(5,367,936)**	1,575,351
Deficit, end of period	**(111,158,317)**	(90,623,205)

See accompanying notes.

Urbana Corporation

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

(In Canadian $)

	2012	2011
	$	$
Operating activities		
Total results of operations for the period	**(5,367,936)**	1,575,351
Items not affecting cash		
Loss on sale and disposal of investments	**1,658,605**	3,380,078
Unrealized net gain (loss) on foreign exchange and investments	**592,877**	(2,058,894)
Non-controlling interest portion of loss	**(655,713)**	(3,378,555)
Provision for future income taxes	**3,000,000**	-
	(772,167)	(482,020)
Net change in non-cash working capital items		
Sundry receivables	**652**	22,221
Prepaid expenses	**14,523**	14,294
Accounts payable and accrued liabilities	**288,525**	111,696
	303,700	148,211
Cash flow (used in) from operating activities	**(468,467)**	(333,809)
Financing activities		
Proceeds from loan payable	**900,000**	1,545,000
Normal course issuer bid repurchases payments	**(4,144,485)**	(5,308,297)
Cash flow (used in) from financing activities	**(3,244,485)**	(3,763,297)
Investing activities		
Purchases of investments	**(8,267,521)**	(5,084,616)
Proceeds on sale of investments	**11,317,175**	7,171,751
Cash flow from (used in) investing activities	**3,049,654**	2,087,135
Net change in cash during the period	**(663,298)**	(2,009,971)
Cash and cash equivalents, beginning of period	**2,708,145**	4,287,835
Cash and cash equivalents, end of period	**2,044,847**	2,277,864
Supplemental disclosure		
Amount of interest paid	**413,573**	406,392

See accompanying notes.

Urbana Corporation

Consolidated statements of investment portfolio

as at June 30, 2012 (Unaudited) and December 31, 2011 (Audited)

(In Canadian $)

Number of shares	Description	June 30, 2012 Cost	June 30, 2012 Fair value
		$	$
	Privately owned entities		
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	**50,520,683**	**25,749,820**
11	Kansas City Board of Trade (seats)	**5,948,450**	**5,494,836**
169,341	Budapest Stock Exchange (shares)	**4,761,242**	**2,190,820**
27	Minneapolis Grain Exchange (seats)	**6,585,622**	**2,532,314**
2,405,454	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	**2,392,129**	**1,305,123**
700,000	Caldwell Financial Ltd. (note 9)	**1,575,000**	**1,575,000**
312,500	CNSX Markets Inc. common stock	**1,250,000**	**1,250,000**
		73,033,126	**40,097,913**
	Publicly traded securities		
1,790,000	NYSE Euronext	**113,662,092**	**46,678,780**
60,000	Manulife Financial Corp.	**739,600**	**665,400**
30,000	Sun Life Financial Inc.	**623,716**	**664,500**
1,485,000	CBOE Holdings Inc.	**49,099,552**	**41,904,288**
100,000	TMX Group Inc.	**3,918,524**	**4,640,000**
20,000	Horizons BetaPro S&O/TSX Capped Financials Bull + ETF	**208,600**	**213,000**
20,000	Horizons BetaPro S&O/TSX Global Gold Bullion Plus	**158,476**	**157,800**
		168,410,560	**94,923,768**
	Other		
2,500,000	2232057 Ontario Inc. *	**2,500,000**	**2,500,000**
2,000,000	Arzak Global Securities Loan. **	**2,053,600**	**509,725**
		4,553,600	**3,009,725**
		245,997,286	**138,031,406**

* 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 original maturity date of May 21, 2012. The loan is now due on demand. The Company is no longer recording interest revenue on the loan and all interest receivable previously recorded has been written off.

See accompanying notes.

Urbana Corporation

Consolidated statements of investment portfolio
as at June 30, 2012 (Unaudited) and December 31, 2011 (Audited)

(In Canadian $)

Number of shares	Description	Cost	Fair value
		December 31, 2011	
		$	$
	Privately owned entities		
4,806,544	Bombay Stock Exchange (shares held by CIHI and UMI)	50,520,683	27,656,854
11	Kansas City Board of Trade (seats)	5,948,450	5,376,360
169,341	Budapest Stock Exchange (shares)	4,761,242	3,357,629
27	Minneapolis Grain Exchange (seats)	6,585,622	2,914,232
2,325,000	2232057 Ontario Inc. (Investment in Stonecap Securities Inc.)	2,324,620	1,935,883
312,500	CNSX Markets Inc. common stock	1,250,000	1,250,000
		71,390,617	42,490,958
	Publicly traded securities		
1,812,648	NYSE Euronext	115,100,204	48,173,522
1,600,000	CBOE Holdings Inc.	52,991,293	42,131,112
160,000	TMX Group Inc.	6,269,638	6,670,400
30,000	Horizons BetaPro S&O/TSX Global Gold Bullion Plus	400,193	348,300
		174,761,328	97,323,334
	Other		
2,500,000	2232057 Ontario Inc. *	2,500,000	2,500,000
2,000,000	Arzak Global Securities Loan. **	2,053,600	1,018,250
		4,553,600	3,518,250
		250,705,545	143,332,542

* 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.

See accompanying notes.

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

The long-term strategy of Urbana is to continue to seek and acquire investments for income and capital appreciation. Currently, management has identified 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, 2011 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, 2012 and December 31, 2011:

				June 30, 2012
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	2,044,847	-	-	2,044,847
Publicly traded securities	94,923,768	-	-	94,923,768
Privately owned entities	-	8,027,150	32,070,763	40,097,913
Other	-	-	3,009,725	3,009,725
	96,968,615	8,027,150	35,080,488	140,076,253

2. Fair value measurement (continued)

				December 31, 2011
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Cash	2,708,145	-	-	2,708,145
Publicly traded securities	97,323,334	-	-	97,323,334
Privately owned entities	-	8,290,592	34,200,366	42,490,958
Other	-	-	3,518,250	3,518,250
	100,031,479	8,290,592	37,718,616	146,040,687

During the six month period ended June 30, 2012 and the year ended December 31, 2011 the reconciliation of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

June 30, 2012	Privately owned entities	Other	Total
	$	$	$
Beginning balance	34,200,366	3,518,250	37,718,616
Purchases	1,642,509	-	1,642,509
Change in unrealized losses	(3,772,112)	(508,525)	(4,280,637)
Transfers	-	-	-
Ending balance	32,070,763	3,009,725	35,080,488

December 31, 2011	Privately owned entities	Other	Total
	$	$	$
Beginning balance	48,841,305	3,750,000	52,591,305
Purchases	124,620	2,053,600	2,178,220
Sales	(4,433,518)	-	(4,433,518)
Change in unrealized (losses)	(11,582,041)	(1,035,350)	(12,617,391)
Transfers	1,250,000	(1,250,000)	-
Ending balance	34,200,366	3,518,250	37,718,616

For the six month period ended June 30, 2012, there were no transfers in/out of Level 3 investments. There were no transfers into/out of Level 3 investments for the year ended December 31, 2011. 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 $ 2.4 million (December 31, 2011 - $2.4 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, 2012, the Company had approximately $3.0 million (December 31, 2011 - $3.5 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 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, 2012, the Company had a demand loan for $14,500,000 (December 31, 2011 - $13,600,000), representing 12.38% (December 31, 2011 – 10.74%) 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, 2012 and December 31 2011.

	June 30, 2012	December 31, 2011
Currency	**As % of net assets**	As % of net assets
	%	%
United States Dollars	84.41	80.14
Indian Rupee	13.97	21.83
Other	1.87	2.65
	100.25	104.62

The Company's net assets would decrease or increase by approximately $5,847,246 (December 31, 2011 - $6,626,174) 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.

3. 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, 2012	-	3,009,725	-	-	3,009,725
December 31, 2011	-	3,518,250	-	-	3,518,250
Loan payable					
June 30, 2012	14,500,000	-	-	-	14,500,000
December 31, 2011	13,600,000	-	-	-	13,600,000

As at June 30, 2012, 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 $ 71,751 (December 31, 2011 - $164,250). 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, 2012, 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 $9,492,377 (December 31, 2011 - $9,732,333) (approximately 8.10 % (December 31, 2011 – 7.68%) 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 (totaling approximately $132 million), 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. The Company must comply with the covenants on the loan payable (Note 5).

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). Subsequent to a 13:1 stock split, the 308,888 equity shares converted to 4,015,544 equity shares. 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, 2012	Year ended December 31, 2011
	$	$
Non-controlling interest, beginning of period	10,033,626	14,440,650
Share of net (loss)	(655,713)	(4,407,024)
Non-controlling interest, end of period	9,377,913	10,033,626

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, 2012, 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 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 2.75%, 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 investments. As at June 30, 2012, the outstanding balance of the loan was $14,500,000 (December 31, 2011 - 13,600,000) which is the fair value of the loan. As at June 30, 2012, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

6. Share capital

At June 30, 2012 share capital consists of the following:

	Number	**Six month period ended June 30, 2012 Amount**	Number	Year ended December 31, 2011 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	64,408,000	186,415,197	71,066,100	205,685,645
Normal Course Issuer Bid Redemption (a)	(3,980,400)	(11,520,417)	(6,658,100)	(19,270,448)
Balance, end of period	60,427,600	174,894,780	64,408,000	186,415,197
Total	70,427,600	182,893,673	74,408,000	194,414,090

(a) 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.

7. Contributed surplus

	Six months ended June 30, 2012	Year ended December 31, 2011
	$	$
Balance, beginning of period	38,044,864	26,611,124
Normal course issuer bid repurchase discount (note 6 (a))	7,375,932	11,433,740
Balance, end of period	45,420,796	38,044,864

8. Series B Class A purchase warrants

A summary of the Series B warrants are presented below:

	Number of warrants	**2012 Weighted average exercise price**	Number of warrants	2011 Weighted average exercise price
		$		$
Outstanding, beginning of period	-	-	5,345,750	2.50
Expired, November 10, 2011	-	-	(5,345,750)	2.50
Outstanding, June 30, 2012 and December 31, 2011	-	-	-	-

9. 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, 2012 and June 30, 2011, investment management fees of $1,292,787 and $1,419,377 respectively were earned by CIM. For the six months ended June 30, 2012 and June 30, 2011, CIM did not reimburse any expenditures relating to the Company.

Included in accounts payable and accrued liabilities is investment management fees of $605,369 (December 31, 2011 - $652,232) payable to CIM. There are no other fees payable to related parties. All related party transactions are recorded at their exchange amounts.

On June 19, 2012, the Company purchased from a director of CFL and the chairman of the board of the Company 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 efforts he spent in his role as the chairman of this special committee.

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, 2012	1.66	1.66
As at December 31, 2011	1.70	1.70

11. Income taxes

The Company's provision for income taxes for the six months ended June 30, 2012 and for the year ended December 31, 2011 is summarized as follows:

	2012	2011
	$	$
Net (loss) income before income taxes	(2,367,936)	(11,091,825)
Expected income taxes payable at future rates - 26.5% (2011- 25%)	(627,503)	(2,772,956)
Income tax effect of the following:		
Non-taxable portion of realized capital transactions losses	219,765	1,058,132
Non-taxable portion of unrealized capital losses	78,556	836,587
Non-controlling interest	(173,764)	(1,101,756)
Increase in effective income tax rate	(571,346)	-
Valuation allowance	4,200,000	4,000,000
Other	(125,708)	479,993
	3,000,000	2,500,000

11. Income taxes (continued)

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

	June 30, 2012	December 31, 2011
	$	$
Resource deductions available in perpetuity	(14,525)	(13,703)
Unrealized capital losses on investments	(7,019,338)	(6,459,275)
Share issuance costs	-	(38,856)
Tax benefit of capital loss carryforwards	(1,664,339)	(1,362,806)
Tax benefit of non-capital loss carryforwards (expiring 2031/2032)	(1,508,170)	(1,190,904)
Valuation allowance	8,200,000	4,000,000
Other	6,372	65,544
Total future income tax asset	(2,000,000)	(5,000,000)

12. Future changes in accounting standards

International Financial Reporting Standards (IFRS)

In September, 2010, the 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 results 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 established.

13. Subsequent event

The Company 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.