URBANA
CORPORATION

2006 ANNUAL REPORT

Corporate Information

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TRANSFER AGENT & REGISTRAR:
CIBC Mellon Trust Company
P.O. Box 7010
Adelaide Street Postal Station
Toronto, Ontario
M5C 2W9

AUDITORS:
PKF Hill LLP
41 Valleybrook Drive
Suite 200
Toronto, Ontario
M3B 2S6

DIRECTORS AND OFFICERS OF THE COMPANY:

Thomas S. Caldwell, C.M.
Director and President
Toronto, Ontario

John R. Campbell, Q.C.
Director and Corporate Secretary
Toronto, Ontario

Bethann Colle
Director
Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

George Mencke
Director
Toronto, Ontario

Jean Ponter
Chief Financial Officer
Toronto, Ontario

Urbana Corporation's Common Shares, Non-Voting Class A Shares and Warrants are listed for trading on the Toronto Stock Exchange.

Ticker Symbols:

URB (Common Shares)

URB.A (Non-Voting Class A Shares)

URB.WT (Warrants)

Website: www.urbanacorp.com

Report To Shareholders

This has been an extraordinary year for our company. Our continued investment in exchanges, the ongoing expansion of that sector, and public response to our financing efforts made 2006 a success for Urbana Corporation.

Our investment in the New York Stock Exchange (NYSE) has appreciated, and we have expanded our exchange investments to include other bourses across North America and around the world. We believe that investing in securities exchanges is a superb way to participate in the growth of a nation or region, and we have added to our company's positions with this philosophy in mind.

Urbana Corporation began 2007 with approximately $30 million (Cdn.) in marketable securities on its balance sheet and with its common shares ("Common Shares") trading on the TSX Venture Exchange. In January, our company completed a financing, issuing 18,548,100 Non-Voting Class A shares and 9,274,050 Non-Voting Class A purchase warrants ("Warrants"). As a result, Urbana now has cash and marketable securities of over $80 million. In addition, Urbana Common Shares (URB), Non-Voting Class A Shares (URB.A) and Warrants (URB.WT) now trade on the main board of the Toronto Stock Exchange.

Public response to Urbana's offering was swift. We began the year resolved to build a more significant financial presence, and our message of investing in exchanges worldwide resonated with Canadian dealers and their clients. As the exchange sector continues to grow in profile and penetrate the consciousness of investment committees, and as exchanges themselves continue to find efficiencies and revenue streams, management believes that this augurs extremely well for our company.

Urbana Corporation continues to be run extremely efficiently. Management collects no salaries, and Directors' fees are capped at $5,000 per year for Independent Directors. This approach has served Urbana Corporation well, and it is with great enthusiasm that we look forward to the coming year.

Respectfully submitted,

The Board of Directors

March 2007

Auditors' Report

PKF Hill CHARTERED ACCOUNTANTS

PKF Hill LLP
41 Valleybrook Drive, Suite 200
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Auditors' Report

To the Shareholders of
Urbana Corporation

We have audited the statements of net assets and investment portfolio of **Urbana Corporation** (the "Company") as at December 31, 2006 and December 31, 2005, and the statements of operations, changes in net assets, unrealized gains/losses on investments and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and December 31, 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PKF Hill LLP

February 20, 2007

Statements of Net Assets

As at December 31	**2006**	**2005**
ASSETS		
Marketable securities (note 1)	$ 31,687,653	$ 13,463,668
Resource properties (note 1)	1	1
Cash	2,931	71,387
Sundry receivables	20,911	4,790
Prepaid expenses	266,858	–
Office equipment (note 2)	2,397	2,996
	$ 31,980,751	$ 13,542,842
LIABILITIES		
Loan payable (note 3)	$ 1,138,268	$ 1,118,268
Accounts payable and accrued liabilities	427,356	49,701
Future income taxes (note 6(b))	3,498,000	1,040,000
	5,063,624	2,207,969
NET ASSETS	26,917,127	11,334,873
SHAREHOLDERS' EQUITY		
Share capital (note 4)	7,998,893	6,098,893
Unrealized gains on investments (statement)	19,083,957	5,011,832
Retained earnings (deficit) (statement)	(165,723)	224,148
	26,917,127	11,334,873
Total liabilities and shareholders' equity	$ 31,980,751	$ 13,542,842
Number of common shares outstanding (note 4)	10,000,000	9,000,000
Net asset value per common share – basic and fully diluted	$ 2.69	$ 1.26

See accompanying notes

On behalf of the Board:

Director

Director

Statements of Operations

Years Ended December 31	**2006**	**2005**
Gains/losses		
Gain (loss) on sale of marketable securities	$ 196,932	$ (165,516)
Investment income		
Dividends	244,147	575
Consulting and other income (note 5)	91,997	87,540
NYSE seat rental income	41,971	283,774
	378,115	371,889
Expenses		
Investment management and performance fees (note 5)	342,298	6,274
Salaries and benefits	70,932	73,744
Administrative (note 5)	143,553	145,564
Audit fees	37,203	20,000
Legal fees	261,259	100,839
Director fees	13,450	6,000
License fees	21,031	26,867
Bank charges and interest (note 5)	71,593	57,701
Insurance	3,000	–
Amortization	599	682
	964,918	437,671
Net loss before unrealized gains/losses on investments and income taxes	(389,871)	(231,298)
Unrealized gains/losses on investments		
Unrealized gain - marketable securities (note 1)	16,566,747	7,036,158
Write-down of resource properties	–	(1,094,037)
	16,566,747	5,942,121
Net income before income taxes	16,176,876	5,710,823
Provision for income taxes (note 6(a))		
Current	36,622	–
Future	2,458,000	794,000
	2,494,622	794,000
Total results of operations for the years	$ 13,682,254	$ 4,916,823
Basic and fully diluted earnings per share	1.47	0.55
Weighted average number of common shares outstanding	9,333,333	9,000,000

See accompanying notes

Statements of Changes in Net Assets,
Unrealized Gains/Losses on Investments and Retained Earnings (Deficit)

Years Ended December 31	**2006**	**2005**
Net Assets		
Net assets, beginning of years	$ 11,334,873	$ 6,418,050
Operating activities		
Total results of operations for the years	13,682,254	4,916,823
Capital transactions		
Issuance of common shares (net of expenses) (note 4)	1,900,000	–
Total capital transactions	1,900,000	–
Net assets, end of years	$ 26,917,127	$ 11,334,873
Unrealized gains/losses on investments		
Unrealized gains/losses on investments, beginning of years	$ 5,011,832	$ (136,289)
Change during the years	16,566,747	5,942,121
Provision for income taxes	(2,494,622)	(794,000)
Unrealized gains/losses on investments, end of years	$ 19,083,957	$ 5,011,832
Retained earnings (deficit)		
Retained earnings, beginning of years	$ 224,148	$ 455,446
Net loss before unrealized gains on investments and income taxes	(389,871)	(231,298)
Retained earnings (deficit), end of years	$ (165,723)	$ 224,148

See accompanying notes

Statements of Cash Flows

Years Ended December 31	**2006**	**2005**
Operating activities		
Total results of operations for the years	$ 13,682,254	$ 4,916,823
Add (deduct) items not involving cash		
Amortization	599	682
Loss (gain) on sale of marketable securities	(196,932)	165,516
Unrealized gain – marketable securities	(16,566,747)	(7,036,158)
Write-down of resource properties	–	1,094,037
Future income taxes	2,458,000	794,000
	(622,826)	(65,100)
Net change in non-cash working capital items		
Sundry receivables	(16,121)	(4,419)
Prepaid expenses	(266,858)	–
Accounts payable and accrued liabilities	377,655	13,534
	94,676	9,115
Cash flows from operating activities	(528,150)	(55,985)
Financing activities		
Issuance of loan payable	20,000	–
Issuance of common shares (net of expenses)	1,900,000	–
Cash flows from financing activities	1,920,000	–
Investing activities		
Purchases of marketable securities	(2,180,306)	(983,834)
Proceeds on sale of marketable securities	720,000	1,013,646
Additions to resource properties	–	(5,281)
Cash flows from investing activities	(1,460,306)	24,531
Net decrease in cash during the years	(68,456)	(31,454)
Cash, beginning of years	71,387	102,841
Cash, end of years	$ 2,931	$ 71,387

See accompanying notes

Statements of Investment Portfolio

Years Ended December 31, 2006 and December 31, 2005

Number	Description	2006 Cost	2006 Market Value
	Resource properties		
72	Resource claims – Urban Township	$ 1,094,038	$ 1
	Chicago Board of Exchange Membership ("CBOE")		
1	Seat on the CBOE	$ 1,465,230	$ 2,039,275
	Marketable securities		
49,440	Units in the Caldwell Growth Opportunities Fund	602,669	1,070,603
254,097	Shares in NYSE Group Inc.	5,751,720	28,313,335
4,000	Shares in Montreal Exchange (private company)	264,440	264,440
		6,618,829	29,648,378
		$ 8,084,059	$ 31,687,653

Number	Description	2005 Cost	2005 Market Value
	Resource properties		
72	Resource claims – Urban Township	$ 1,094,038	$ 1
	New York Stock Exchange Memberships ("NYSE")		
3	Seats on the NYSE	$ 5,751,720	$ 12,726,750
	Marketable securities		
62,251	Units in the Caldwell Growth Opportunities Fund	675,790	736,918
		$ 6,427,510	$ 13,463,668

See accompanying notes

Notes to Financial Statements

Years Ended December 31, 2006 and December 31, 2005

1. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, the more significant of which are outlined below.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") 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.

Revenue recognition

Rental revenue from the NYSE memberships is recognized over the term of the lease contract, on a straight-line basis. Rental revenue discontinued when the memberships were converted to shares of NYSE Group Inc. (below).

Consulting income is recognized when the services are performed. Dividend income is recognized when the dividends are declared and receivable.

Earnings per share

Basic earnings per share is computed by dividing the total results of operations for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a manner similar to basic earnings per share, except that the weighted average number of shares outstanding is increased to include potential common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants and on the as-if-converted method for convertible securities.

Income taxes

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

Marketable securities

Marketable securities are recorded at fair value. Fair values for the units in the Caldwell Growth Opportunities Fund ("Fund") are provided by the investment manager's statement of account. The fair values are established by the Fund by valuing each held security based on closing market quotations, less estimated administration costs.

Common shares of NYSE Group, Inc. are valued at market less a discount in respect of the shares being restricted, a condition that management believes will be lifted by April 30, 2007.

1. Summary of Significant Accounting Policies – continued

Notwithstanding the Company's expectation, at December 31, 2006, these common shares were not freely tradable and can be sold only through approved secondary offerings or on the basis of one third of the total holdings per year commencing March 7, 2007, as follows:

Shares freely tradable – March 7, 2007	84,699
Shares freely tradable – March 7, 2008	84,699
Shares freely tradable – March 7, 2009	84,699
Shares held at December 31, 2006	254,097

Fair value for the one CBOE membership is established by the most recent sale of CBOE memberships preceding the year end and translating this amount using the year end foreign currency exchange rate.

The fair value of the Montreal Exchange approximates cost.

At December 31, 2006, the cost of the marketable securities was $8,084,059 (2005 – $6,427,510) and the market value was $31,687,653 (2005 - $13,463,668).

Prepaid expenses

Prepaid expenses consist primarily of costs related to shares issued in 2007 (note 9). These costs, in addition to the agents' fee, are to be deducted from the short form prospectus share capital proceeds received in 2007.

Office equipment

Office equipment is recorded at cost and amortized at 20% per annum using the declining balance method of accounting.

Resource properties

Resource properties and related expenditures are recorded at cost, net of incidental revenues generated from the particular mineral properties. These net costs are deferred until the mineral properties to which they relate are placed into production, sold or abandoned.

General exploration costs not specifically relating to a mineral property are expensed as incurred.

As per Accounting Guideline 11 in the Canadian Institute of Chartered Accountant Handbook, when there has been a delay in development activity that extends beyond three years, there is a presumption that a write-down of capitalization costs is necessary. In 2005, management determined that due to the lack of recent development activity for the resource properties, the capitalized costs of the resource properties would be written down to a nominal value.

2. Office Equipment

Office equipment consists of the following:

	2006		
	Cost	Accumulated Amortization	Net
Office equipment	$22,130	19,733	$ 2,397

	2005		
	Cost	Accumulated Amortization	Net
Office equipment	$22,130	19,134	$ 2,996

3. Loan Payable

The loan payable of $1,138,268 (2005 – $1,118,268) from Caldwell Financial Ltd. ("CFL") (note 5) is secured by a promissory note and matures on December 31, 2010 with a right to prepayment without penalty. For fiscal 2005, CFL charged the Company interest at a mutually agreed rate not exceeding prime. In fiscal 2006, CFL charged the Company interest at prime plus 1% for funds borrowed on the Company's behalf ($1,050,000 at year end) and interest at 3% on the remainder ($88,268 at year end).

4. Share Capital

Share capital consists of the following:

	2006		2005	
	Number	Amount	Number	Amount
Authorized				
Unlimited preferred shares				
Unlimited common shares				
Unlimited Non-Voting Class A shares				
Issued – common shares				
Balance, beginning of years	9,000,000	$ 6,098,893	9,000,000	$ 6,098,893
Private placement (a)	1,000,000	1,900,000	–	–
Balance, end of years	10,000,000	$ 7,998,893	9,000,000	$ 6,098,893

(a) On August 31, 2006, the Company issued 1,000,000 common shares, at $2 per share as a private placement for total cash proceeds of $2,000,000 less share issuance costs of $100,000.

(b) The Directors, Officers and Employees Stock Option Plan ("Plan") reserves 626,667 common shares that may be issued out of treasury to cover the Plan. To December 31, 2006, no such options have been granted. The Plan restricts the exercise of options in any one year to 10% of the issued and outstanding shares. There is a further restriction in that only 5% may be exercised in any one year by any one person. The price must not be less than the market price on the trading day next preceding the issue date of the options. The options are not assignable and must be exercised within ten years of their issue.

5. Related Party Transactions

CFL is a significant shareholder of the Company and under common management. Caldwell Asset Management Inc. ("CAM"), Caldwell Investment Management Ltd. ("CIM") and Caldwell Securities Ltd. ("CSL") are subsidiaries of CFL.

In 2006 and 2005 consulting fees of $90,000 and $87,500 were received from CIM.

In 2006 and 2005 investment management and performance fees of $342,298 and $6,274 were paid to CAM and CIM. The Investment Management ("IM") agreement was amended on May 1, 2006. The Investment Manager (CIM) is entitled to an investment advisory fee equal to 1.5% per annum of the market value of the equity securities in the Company's investment portfolio and .5% of the market value of the fixed income securities in the Company's investment portfolio. The investment advisory fees are accrued and paid quarterly in arrears.

In 2006 and 2005 premises were rented from CSL and CAM for $55,000 and $96,300, and are included in administrative expenses.

Interest paid to CFL in respect of the loan payable (note 3) in 2006 and 2005 amounted to $70,212 and $56,576.

Included in accounts payable and accrued liabilities is $116,414 (2005 – $26,000) payable to related parties which are all under common management to the Company.

In 2006 and 2005, marketable securities were held with the Caldwell Opportunities Growth Fund, a fund with common management to the Company.

All related party transactions are recorded at their exchange amounts.

6. Income Taxes

(a) The Company's provision for income taxes is summarized as follows:

	2006	**2005**
Income before income taxes	$ 16,176,876	$ 5,710,823
Expected income taxes rates payable – 33.00% (2005 – 34.12%)	$ 5,338,369	$ 1,948,533
Income tax effect of the following:		
Non-taxable portion of realized capital transactions	(32,494)	28,237
Non-taxable portion of unrealized capital gains	(2,733,513)	(1,200,369)
Decrease in effective income tax rate	(36,499)	–
Financing costs deductible for tax at 20% per year	(29,040)	–
Foreign tax credits on dividend income	(12,085)	–
Other	(116)	17,599
	$ 2,494,622	$ 794,000

6. Income Taxes – continued

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

	2006	2005
Tax cost of office equipment over its net book value	$ (1,222)	$ (1,059)
Resource deductions available in perpetuity	(67,264)	(68,866)
Unrealized capital gains on investments	4,043,758	1,356,646
Tax benefit of capital loss carryforwards	(189,411)	(212,638)
Withholding tax paid on US dividends received	(36,622)	–
Tax benefit of non-capital loss carryforwards	(251,239)	(34,083)
Total future income tax liability	$ 3,498,000	$ 1,040,000

7. Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The risks associated with the estimate of the restricted period for the NYSE Group, Inc. shares (note 1) is mitigated by the discount applied and the Company's business strategy of holding these shares for the long-term.

The carrying value of cash, sundry receivables, prepaid expenses and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The carrying value of marketable securities approximate their estimated fair value in accordance with the valuation policies described in note 1. The NYSE Group, Inc. shares and CBOE membership are denominated in US dollars.

The fair value of the loan payable is not determinable due to the non-arm's length nature of the transaction.

8. Comparative Amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2006 financial statements.

9. Subsequent Events

On January 11, 2007, the Company completed a short form prospectus offering (the "Offering") of 16,129,100 units of the Company (the "Units") at a price of $3.10 per Unit for gross proceeds of $50,000,210. Each Unit consisted of one Non-Voting Class A share ("Non-Voting Class A shares") and one-half of one Non-Voting Class A share purchase warrant. Immediately upon the closing of the offering, each Unit separated into one Non-Voting Class A share and one-half of one warrant. Each full warrant entitles the holder to purchase one Non-Voting Class A share at a price of $3.75 on or before January 11, 2009.

In connection with the Offering, the syndicate of agents for the Offering (the "agents") was granted the option to purchase, within 30 days of the completion of the Offering (the "Over-Allotment Option"), up to an additional 2,419,000 Non-Voting Class A shares at a price of $3.05 per share and up to an additional 1,209,500 warrants at a price of $0.05 per each half warrant. On January 29, 2007, the agents exercised the Over-Allotment Option in full for the gross proceeds of $7,498,900 to the Company.

The share issuance costs to be deducted from the gross share capital proceeds in 2007 are expected to approximate $340,000 (approximately $240,000 incurred at year end) in addition to the agent fees of $3,000,013 on the Offering and $449,934 on the Over-Allotment Option.

In January 2007 the Company entered into agreements to purchase a seat on the Chicago Board Option Exchange ("CBOE"), a seat on the Kansas City Board of Trade ("KCBOT") subject to the KCBOT board approval, and two board lots of shares (formerly seats) of the Philadelphia Stock Exchange ("PSE"). The Company also purchased one seat on the American Stock Exchange ("AMEX") and shares of the London Stock Exchange ("LSE"), Singapore Exchange Ltd. ("SGX), the Hong Kong Exchange & Clearing Ltd. ("HKEX") and the stock exchange of South Africa ("JSE"). The foregoing represents combined expenditures and commitments of approximately $8,700,000.

In February 2007 the Company agreed to purchase an additional seat on the CBOE for $1,875,000 and one seat on the Minneapolis Grain Exchange ("MGEX") for approximately $103,900 subject to the MGEX board approval. The MGEX is the principal market for hard red spring wheat. The Company also purchased 200 shares of the Osaka Stock Exchange Co. Ltd. ("OSEC") for approximately $1,269,000.

The CBOE, KCBOT, PSE, AMEX and the MGEX are private entities and the LSE, SGX, HKEX, JSE and OSEC are publicly traded entities.

Annual Management Report of Fund Performance

For the year ended December 31, 2006

This report may contain forward-looking statements. Forward-looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward-looking statements.

This management report of fund performance follows the disclosure requirements of NI 81-106. It contains financial highlights but does not contain the complete financial statements of Urbana Corporation ("Urbana"). You can get a copy of the annual financial statements at your request, and at no cost, by calling the corporation collect at (416) 595-9106, writing to us at: 150 King St. W., Suite 1702, Toronto, Ontario M5H 1J9 or visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

Securityholders may also contact us using one of the these methods to request a copy of Urbana's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

Urbana seeks to provide long-term capital growth through investing in a wide spectrum of opportunities. Potential investments can range from publicly-traded securities to private companies to other assets. The investment activities of Urbana are handled by Caldwell Investment Management Ltd. ("CIM" or the "Investment Manager"). The investment management team at CIM attempts to seek out opportunities, which will provide above average returns over a longer period of time, while blending that approach with shorter term trading opportunities.

At the present time, Urbana has focussed its efforts on acquiring interests in exchange properties for long-term gains. Management of Urbana ("Management") has identified securities and derivatives exchange properties around the world as good long-term investments due to the trend of demutualization in, and consolidation of, the exchange industry. Management also believes that exchanges are a way to participate in a regional economy as regional economic success is eventually reflected in the region's stock (cash) market. Urbana has purchased units in the Caldwell Growth Opportunities Trust in order to augment indirectly its New York Stock Exchange (the "NYSE") position as well as to participate indirectly in the Chicago Board Options Exchange (the "CBOE").

The creation of publicly-traded securities and derivatives exchanges is still a relatively new phenomenon. While some exchanges have transformed themselves into public companies, the industry still includes numerous private companies and mutually-owned, not-for-profit entities. In addition, many publicly-traded exchanges have not consummated proposed mergers (for example, NYSE and Euronext) and as a consequence, have not yet obtained the efficiencies expected to be derived from these combinations. Management anticipates that the consolidation trend will continue and that other mergers are likely to take place over the coming years. Management believes that this may allow the Investment Manager to leverage its demonstrated expertise in this sector.

Management and the Investment Manager believe that the four primary growth drivers for the exchange sector are as follows:

Trading Volume

Technology and trading participants (hedge funds and algorithmic trading in addition to traditional investors) are substantially increasing trading volumes on the world's major exchanges. Management believes that the size and sustainability of these volume increases are not yet appreciated by the market.

Margin Expansion

Efficiencies are obtained through the divestment of non-core assets (e.g., the regulatory function) and replacing or updating legacy trading systems (e.g. floor trading) with new technologies, which drive improved margins. In the past, trade completions were fulfilled in minutes. They are now measured in a diminishing number of milliseconds. At the corporate level, the for-profit disciplines, now being implemented at many exchanges, are forcing a culture change, which is reflected in improving margins.

Proprietary Products

Exchanges are striving to obtain proprietary products to trade on their specific venue. This trend is fuelling acquisitions of derivative exchanges (options and futures) by stock (cash) markets. Derivative markets have greater proprietary trading attributes and as a consequence, greater profit margins than stock markets. Trading volumes at derivative exchanges are also growing at a faster rate.

Product Pricing

A readjustment of pricing to more accurately reflect the economic value of trading, listing and data services is also fuelling growth. Data and information, the value of which was not previously captured by private exchanges, have become significant revenue generators for public exchanges. Hedge and algorithmic traders rely significantly on historical information to develop their trading parameters and are willing to pay for such information. News services augment the increasing demand for information. Over time, data and information can grow to become a major income stream for exchanges.

Management believes that the combination of these factors will continue to be significant drivers for revenue growth and increasing profitability in the industry for the foreseeable future.

Urbana maintains the flexibility to invest across a wide spectrum of investment possibilities in other industries. Other areas of opportunity, such as publicly or privately traded securities or other assets, may be pursued from time to time. In order to minimize the impact of taxes on the corporation, to add to future performance and to expand its portfolio holdings, Urbana may use leverage that will not exceed 100% of the net asset value of the corporation.

Investment Management Team

Profiles of the key personnel at the Investment Manager are as follows:

Thomas S. Caldwell, C.M., B.Comm. Hons-Economics, FCSI, Portfolio Manager

Thomas S. Caldwell is Chairman of Caldwell Financial Ltd. and its subsidiary companies Caldwell Asset Management Inc., Caldwell Securities Ltd. (which he founded in 1980) and the Investment Manager. Mr. Caldwell is a Member of the Board of Associates of the Whitehead Institute for Biomedical Research (MIT) Boston. He is a former Governor of the Toronto Stock Exchange, a Fellow of the Canadian Securities Institute and a past Director of the Investment Dealers Association of Canada.

Mr. Caldwell graduated with an Honours Degree in Economics from McGill University in 1965. His career in the investment industry commenced a year prior, at Royal Securities Corporation. Upon graduation, he rejoined that company and remained after its purchase by Merrill Lynch and managed all institutional equity trading in Canada. In 1975, Mr. Caldwell joined a predecessor firm of BMO Nesbitt Burns Inc. as a Senior Investment Advisor.

Brendan T.N. Caldwell, B.Sc., M.A., FCSI, CFA, Portfolio Manager

Brendan T.N. Caldwell is President and CEO of the Investment Manager and Executive Vice-President of Caldwell Financial Ltd.

Mr. Caldwell earned his B.Sc. from Trinity College at the University of Toronto and his M.A. from the University of London, England. He has held the designation of Chartered Financial Analyst since 1995. Mr. Caldwell is a member of the Toronto Society of Financial Analysts, the CFA Institute and is a Fellow of the Canadian Securities Institute.

Mr. Caldwell worked for a major mutual fund company and a bank-controlled investment firm prior to joining Caldwell in 1995.

Mr. Caldwell has been a member of the Toronto Stock Exchange, the NYSE, the American Stock Exchange and the CBOE.

Robert M. Callander, B.Sc., M.B.A., CFA

Mr. Callander is an investment industry executive with over thirty years experience, including senior positions in investment research and corporate finance. He provides financial advisory services to both institutional and private clients. Mr. Callander is a Chartered Financial Analyst.

J. Dennis Freeman, Portfolio Manager

Mr. Freeman's investment experience has been primarily focused on the fixed income sector, including managing major bond funds. His broad experience and market strategy views are highly regarded in the investment industry.

Charles Hughson, Strategic Advisor

Mr. Hughson is an investment industry professional with over three decades of experience. Graduating from the University of Aberdeen, Scotland with an M.A. (Hons.) degree in economics, he began his career as an investment analyst in the City of London, England. Mr. Hughson immigrated to Canada in 1975 and joined the Alberta Treasury department, then a leading Canadian life insurance company.

John R. Kinsey

Mr. Kinsey contributes over forty years of investment experience, which includes portfolio management, research and trading. He also coordinates the equity research functions of the Investment Manager which include monitoring the overall universe of securities followed by the Investment Manager.

Jennifer Radman, Analyst, CFA, Associate Portfolio Manager

Ms. Radman joined the firm in June 2004 as a research associate. She graduated with honours with a business degree from the University of South Carolina. Ms. Radman is responsible for the Investment Manager's proprietary computer model portfolios.

Thomas Ratnik, B.A.Sc., P.Eng.

Mr. Ratnik's responsibilities include market strategy, timing and technical analysis. With forty years experience as a technical analyst, Mr. Ratnik has developed a series of criteria which assist in establishing entry and exit points for equity portfolio positions. Mr. Ratnik is a professional engineer.

Thomas S. Caldwell, as the lead investment manager for Urbana, supervises the overall investment activities conducted by CIM on Urbana's behalf. He serves as Urbana's President.

Risk

There were no material changes to Urbana's investment style over the financial year that affected the overall level of risk associated with investment in the corporation. The suitability and investor risk tolerance remains unchanged over the years as that of an aggressive growth vehicle with concentrated investment positions.

Results of Operations

Urbana's net shareholders' equity grew from $11,334,873 at the end of 2005 to $26,917,127 at the end of 2006, an increase of $15,582,254. Of this increase, $13,682,254 was the result of the corporation's operations and $1,900,000 was additional capital raised through the issuance of one million common shares in August 2006. The proceeds of the additional capital were primarily used to fund the purchase of a seat in the Chicago Board Options Exchange. There were no material changes in Urbana's investment holdings or investment style over the year, with the predominant position being our interest in the New York Stock Exchange. In March 2006, the New York Stock Exchange was merged with Archipelago Inc. to form NYSE Group, Inc. Seats of the former New York Stock Exchange were exchanged for NYSE Group, Inc. common shares. The three NYSE seats held by Urbana were exchanged for 254,097 common shares of NYSE Group, Inc. As at December 31, 2006, the market value of these shares was $28,313,335 in total with a total acquisition cost of $5,751,720.

As at year end, Urbana also held 49,440 units of Caldwell Growth Opportunities Trust. This position was taken with a view of both adding to the corporation's NYSE participation as well as obtaining ownership interests in Chicago Board Options Exchange memberships and other exchanges. The value of that position as at year end was $1,070,603 with an acquisition cost of $602,669.

Recent Developments

On January 11, 2007 Urbana completed a short form prospectus offering (the "Offering") of 16,129,100 units of the corporation (the "Units") at a price of $3.10 per Unit for a gross proceeds of $50,000,210. Each Unit consisted of one non-voting Class A share ("Non-Voting Class A Shares") and one-half of one Non-Voting Class A Share purchase warrant (each whole Non-Voting Class A Share purchase warrant, a "Warrant"). Each Warrant entitles the holder to purchase one Non-Voting Class A Share at a price of $3.75 on or before January 11, 2009. The Units were separated into Non-Voting Class A Shares and Warrants immediately upon the completion of the Offering. As a result of the completion of the Offering, the corporation issued 16,129,100 Non-Voting Shares and 8,064,550 Warrants.

In connection with the Offering, the syndicate of agents for the Offering (the "Agents") was granted the option to purchase, within 30 days of the completion of the Offering (the "Over-Allotment Option"), up to an additional 2,419,000 Non-Voting Class A Shares at a price of $3.05 per share and up to an additional 1,209,500 Warrants at a price of $0.05 per each half Warrant. On January 29, 2007, the Agents exercised the Over-Allotment Option in full for a gross proceeds of $7,498,900 to Urbana. As a result of the full exercise of the Over-Allotment Option, Urbana issued an additional 2,419,000 Non-Voting Class A Shares and 1,209,500 Warrants. The Non-Voting Class A Shares and the Warrants are listed and traded on the Toronto Stock Exchange along with Urbana's common shares.

In January 2007 Urbana entered into agreements to purchase a seat on the Chicago Board Option Exchange ("CBOE"), a seat on the Kansas City Board of Trade ("KCBOT") subject to the KCBOT board approval, and two board lots of shares (formerly seats) of the Philadelphia Stock Exchange ("PSE"). Urbana also purchased one seat on the American Stock Exchange ("AMEX") and shares of the London Stock Exchange ("LSE"), Singapore Exchange Ltd. ("SGX"), the Hong Kong Exchange & Clearing Ltd. ("HKEX") and the stock exchange of South Africa ("JSE"). The foregoing represents combined expenditures and commitments of approximately $8,700,000.

In February 2007 Urbana agreed to purchase an additional seat on the CBOE for $1,875,000 and one seat on the Minneapolis Grain Exchange ("MGEX") for approximately $ 103,900 subject to the MGEX board approval. The MGEX is the principal market for hard red spring wheat. Urbana also purchased 200 shares of the Osaka Stock Exchange Co. Ltd. ("OSEC") for approximately $1,269,000.

The CBOE, KCBOT, PSE, AMEX and the MGEX are private entities and the LSE, SGX, HKEX, JSE and OSEC are publicly traded entities.

Related Party Transactions

Caldwell Financial Ltd. ("CFL") is a significant shareholder of Urbana and under common management. Caldwell Asset Management Inc. ("CAM"), Caldwell Investment Management Ltd. ("CIM") and Caldwell Securities Ltd. ("CSL") are subsidiaries of CFL. In 2006 and 2005 investment management and performance fees of $342,298 and $6,274 were paid to CIM and CAM. In 2006 and 2005 premises were rented from CSL and CAM for $55,000 and $96,300, and are included in administrative expenses. In 2006 and 2005 consulting fees of $90,000 and $87,500 were received from CIM. Interest paid to CFL in respect of a loan payable in 2006 and 2005 amounted to $70,212 and $56,576. In August 2006, CFL purchased 200,000 common shares of Urbana in a private placement at a price of $2.00 per share. As at December 31, 2006, Urbana held 49,440 units of Caldwell Growth Opportunities Trust, which is also managed by CIM. There is no duplication of management fees with respect to these units.

FINANCIAL HIGHLIGHTS

The following table shows selected key financial information about Urbana and is intended to help you understand Urbana's financial performance for the past two years. This information is derived from Urbana's annual financial statements.

Urbana's Net Asset Value (NAV) per Share(1)	**2006**	**2005**
Net asset value, beginning of year	$1.26	$0.71
Realized gains/losses for the year	0.02	(0.02)
Investment income for the year	0.04	0.04
Total expenses for the year, including future taxes	(0.37)	(0.13)
Unrealized gains for the year	1.78	0.66
Net asset value, end of year(2)	2.69	1.26

(1) Net asset value is 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.

(2) This is not a reconciliation of beginning and ending net asset value per share.

Ratios and Supplemental Data	2006	2005
Net Investment Assets[1]	$31,687,653	$13,463,668
Shares outstanding[1]	10,000,000	9,000,000
Management Expense Ratio[2]	4.60%[3]	3.25%
Portfolio Turnover Ratio[4]	10.17%	0.15%
Trading Expense Ratio[5]	0.00%	0.07%
Closing Market Price	$3.00	$2.00

(1) This information is provided as at December 31 of the year shown.

(2) The Management Expense Ratio is based on total expenses for the stated period and is expressed as an annualized percentage of weekly average net assets during the period.

(3) In 2006, Urbana incurred $67,113 of legal fees for activities related to capital financing and the application for graduation from the TSX Venture Exchange to the Toronto Stock Exchange. Since this was a one-time, out of the ordinary course of business expense, it is not included in the calculation of the Management Expense Ratio. If it had been included in the calculation of the Management Expense ratio, the ratio would have been 4.93%.

(4) Urbana's turnover rate indicates how actively the corporation's investment manager manages its liquid 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.

(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

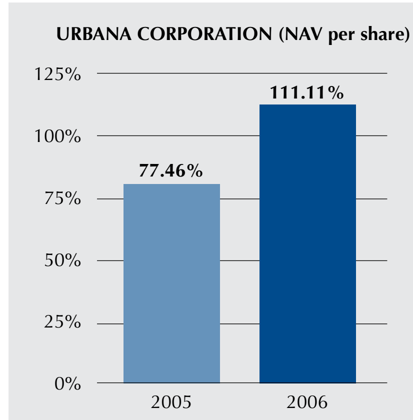
Management Fees

Investment management fees are charged for portfolio management services in accordance with an investment management agreement with CIM. Effective as of May 1, 2006, investment management fees accrue on the basis of 1.50% per annum of the market value of the equity securities in Urbana's investment portfolio and 0.50% of the market value of the fixed income securities in the corporation's investment portfolio. Out of the investment management fees, CIM pays for certain administrative services including brokerage fees for the purchase and sale of securities, maintaining financial and corporate records, calculating the net asset value of the corporation and regulatory filings. In 2006, investment management fees of $342,298 were paid to CIM. The investment management fees are accrued and paid quarterly in arrears.

PAST PERFORMANCE

Year-by-Year Returns

The following bar chart shows the performance of Urbana for the financial year indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year based on the net asset value (NAV) per share of the corporation. Past performance is not an indication of how the corporation will perform in the future.



Annual Compound Returns

The following table shows Urbana's historical returns on its common shares for the periods indicated, compared with the S&P/TSX Composite Index.

	1 year	2 year and since inception(1)
Urbana Corporation (NAV)	111.11%	93.56%
Urbana Corporation (Market)	50.00%	57.67%
S&P/TSX Composite Index(2)	17.26%	20.66%

(1) Inception date is January 1, 2005, being the first day of the financial year in which Urbana became an investment fund.

(2) The S&P/TSX Composite Index is a market capitalization-weighted index that provides a broad measure of performance of the Canadian equity market.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2006

Number of Shares/Units	Description	Cost	Market Value	% of Portfolio Mkt Value	% of Total Net Asset Value before Tax
254,097	NYSE Group, Inc. common shares	$ 5,751,720	$ 28,313,335	89.34%	93.09%
49,440	Caldwell Growth Opportunities Fund	602,669	1,070,603	3.38%	3.52%
1	Chicago Board Options Exchange	1,465,230	2,039,275	6.43%	6.70%
4,000	Montreal Exchange	264,440	264,440	0.83%	0.87%
72	Resource Claims – Urban Township	1,094,038	1	0.00%	0.00%
	Cash	2,931	2,931	0.01%	0.01%
	Total	$ 9,181,028	$ 31,690,585		

The above summary of the investment portfolio may change. A quarterly update is available at Urbana's website at www.urbanacorp.com

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