

SHAREHOLDER CIRCULAR

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. When considering what action you should take, you are recommended immediately to seek your own personal financial advice from an appropriately qualified independent adviser authorised under the Financial Services and Markets Act 2000.

If you have disposed of all your Shares in the Fund, please pass this document and the enclosed Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker or other agent through whom you made the disposal for onward transmission to the purchaser or transferee.

MIDDLEFIELD CANADIAN INCOME – GBP PC

a cell of Middlefield Canadian Income PCC

(a protected cell company incorporated with limited liability under the laws of Jersey with registered number 93546)

Notice of Cell Extraordinary General Meeting

to consider proposals for the disapplication of pre-emption rights and arrangements in relation to treasury shares (including share buy-back)

Notice of a Cell Extraordinary General Meeting to be held at 14 St. George Street, London W1S 1FE on Wednesday, 5 December 2012 at 10 a.m. is set out at the end of this document. The Proposals described in this document are conditional upon Shareholder approval of the Resolutions at the Cell Extraordinary General Meeting.

Shareholders are requested to complete and return the Form of Proxy accompanying this document for use at the Cell Extraordinary General Meeting. To be valid, Forms of Proxy must be completed and returned in accordance with the instructions printed thereon to Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU as soon as possible and in any event so as to arrive by no later than 10 a.m. on 3 December 2012.

Your attention is drawn to the section entitled “Action be taken by Shareholders” on page 6 of this document.

Canaccord Genuity Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Fund in relation to the Proposals and is not advising any other person or treating any other person as its client in relation to the matters referred to in this document and will not be responsible to anyone other than the Fund for providing the protections afforded to clients of Canaccord Genuity Limited nor for providing advice in connection with the Proposals or any other matter referred to herein. Canaccord Genuity Limited is not responsible for the contents of this document.

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EXPECTED TIMETABLE

Latest time and date for receipt of Forms of Proxy	10 a.m. on 3 December 2012
Cell Extraordinary General Meeting	10 a.m. on 5 December 2012

Note: All references to time in this document are to London time.

LETTER FROM THE CHAIRMAN

MIDDLEFIELD CANADIAN INCOME PCC

(a protected cell company incorporated with limited liability under the laws of Jersey with registered number 93546)

MIDDLEFIELD CANADIAN INCOME – GBP PC

Directors:

Nicholas Villiers (*Chairman*)
Raymond Apsey
Philip Bisson
Thomas Grose
W. Garth Jestley

Registered Office:

Kleinwort Benson House
West's Centre
St Helier
Jersey
Channel Islands JE4 8PQ

16 November 2012

To Shareholders

Dear Sir or Madam

Proposals for the disapplication of pre-emption rights and arrangements in relation to treasury shares (including share buy-back)

Introduction

The Board has today announced details of its proposals to enable the Fund to continue to issue further Shares pursuant to the Placing Programme, following the existing disapplication authority having been exhausted. The Proposals, if approved, will permit the Fund to issue up to a further 76,970,000 Shares to investors pursuant to Placing Programme without first having to offer them, *pro rata*, to existing Shareholders.

In addition, the Board is also seeking Shareholder authority to issue 20,000,000 of the Shares referred to above to Canaccord at the Placing Price, on the basis that Canaccord will immediately sell all these Shares back to the Company at the same price as the Placing Price to be held in treasury.

The Proposals require the approval of Shareholders and are therefore conditional on the passing of the Resolutions which will be proposed at the Cell EGM.

The purpose of this document is to provide you with details and explain the benefits of the Proposals and to set out the reasons why the Directors are recommending that you vote in favour of both the Resolutions to be proposed at the Cell EGM.

Background to and reasons for the Proposals

On 19 October 2012, the Company published a prospectus relating to the Placing Programme of up to 85 million Shares. As explained in the Prospectus, the Board remains committed to the continuing expansion of the Fund and, in view of the level of ongoing demand for the Fund's Shares, the Board considers the Placing Programme necessary in order to allow the Fund to continue its current policy of issuing Shares on an *ad hoc* basis at a small premium to the Net Asset Value per Share where demand exceeds supply.

The Placing Programme is flexible and may have a number of closing dates in order to provide the Fund with the ability to issue Shares on multiple occasions prior to the final closing date of 18 October 2013. The Placing Programme is intended to partially satisfy demand for the Shares and to raise further money for investment in accordance with the Fund's investment policy. Subject to the requirements of the Listing Rules, the price at which each new Share will be issued will be calculated by reference to the estimated prevailing Net Asset Value per Share, with the minimum Placing Price in respect of any allotment of new Shares not being less than the Net Asset Value per Share, as determined at the time of allotment. Furthermore, the Fund will not issue any Shares at a discount of 10 per cent. or more to the middle market price of the Shares at the relevant time without further Shareholder approval.

As stated in the Prospectus, the Board believes that the Placing Programme should yield the following principal benefits:

- raising additional monies to enable the Fund to take advantage of opportunities to make further investments in accordance with the Fund's investment policy;
- growing the Fund, thereby spreading the operating costs over a larger capital base which should reduce the total expense ratio;
- maintaining the Fund's ability to issue new Shares tactically, such as to better manage the premium at which the Shares trade to NAV per Share; and
- improving liquidity in the market for the Shares.

Each allotment of Shares under the Placing Programme is conditional, *inter alia*, on Shareholder authority for the disapplication of pre-emption rights in respect of the relevant allotment being in place. As at the date of the publication of the Prospectus, the Directors' existing authority to issue Shares on a non-pre-emptive basis was limited to 8,030,000 Shares (being the balance of Shares covered by the Shareholder authority granted at the Fund's annual general meeting held in May 2012). All of these Shares were allotted pursuant to the first Placing under the Placing Programme which completed on 31 October 2012 at a Placing Price of 103 pence per Share (being a 1.2 per cent. premium to the Net Asset Value per Share as estimated by the Investment Manager at close of business on 30 October 2012). As a result of the first Placing, the Directors currently have no authority to allot any further Shares on a non-pre-emptive basis.

Accordingly, given that the existing disapplication authority has now been exhausted, the Directors have resolved to convene the Cell EGM to seek Shareholder authority to issue further new Shares on a non-pre-emptive basis pursuant to the Placing Programme.

Resolution 1, if passed, will give the Directors the authority to allot up to 76,970,000 new Shares (being the balance available under the Placing Programme) which is equal to approximately 79.20 per cent. of the Fund's issued share capital as at the date of this document, for cash on a non-pre-emptive basis pursuant to the Placing Programme. In addition, it will also give the Directors the authority to sell the Shares bought back into treasury pursuant to Resolution 2, if passed, on a non-pre-emptive basis, as described below.

Whilst 79.20 per cent. is higher than the disapplication of pre-emption rights authority ordinarily recommended by corporate governance best practice, the Directors believe that taking a larger than normal authority is justified in the present circumstances. If all the 76,970,000 Shares over which the disapplication authority is to be granted are issued (including the subsequent sale out of treasury of the 20,000,000 Shares proposed to be bought back into treasury, as referred to below), the dilutive effect will be 44.20 per cent. However, as no Shares will be issued under the Placing Programme or sold out of treasury at a price which is less than the NAV per Share at the time of allotment or sale, there will be no dilution in the Net Asset Value per Share as a result of the implementation of the Proposals. In addition, whilst Shareholders' voting rights could be diluted by up to the percentage referred to above, the Directors believe that this consideration is outweighed by the flexibility that a larger authority provides. It also means that the Fund should save the costs of having to convene more frequent extraordinary general meetings in order to obtain further Shareholder authority to implement the Placing Programme in full.

The proposed authority conferred by Resolution 1, if passed, will lapse at the conclusion of the Fund's next annual general meeting, expected to be held in May 2013 and at which the Board expects to seek Shareholder approval to renew such authority.

Treasury Shares

In addition to the issue of new Shares pursuant to the Placing Programme, the Board believes that the ability of the Fund to sell Shares held in treasury in order to meet demand in the market for its Shares would provide the Fund with additional flexibility in the management of its capital base. In particular, by using treasury shares, the Fund may be able to be more responsive in taking advantage of market demand for its Shares and the sale of existing Shares held in treasury may result in lower costs than those which would be payable in respect of the issue of new Shares under the Placing Programme.

As at the date of this document, the Fund does not hold any Shares in treasury. However, the Fund has agreed with Canaccord to place 20,000,000 of the Shares comprised in the Placing Programme (representing approximately 20.58 per cent. of the Fund's issued share capital as at the date of this document) with Canaccord on the terms that Canaccord will subscribe for them at the applicable Placing Price and then immediately sell all these Shares back to the Fund at the same price to be held in treasury.

The issue and purchase of such Shares will be governed by the Share Issuance Agreement, but no commission will be payable to Canaccord in respect of the Shares issued to it and then bought back by the Fund to be held in treasury. The subsequent sale of any Shares out of treasury will also be governed by the terms of the Share Issuance Agreement and will be sold on the same terms on which new Shares would have been placed pursuant to the Placing Programme (including at a price not less than the then applicable Placing Price, which will not be less than the prevailing NAV per Share). Commission will be payable to Canaccord in respect of such sales.

These proposed arrangements are conditional on the passing of Resolution 2 which, if passed, will expressly authorise the allotment and issue of 20,000,000 Shares to Canaccord and the immediate buy-back of all those Shares into treasury. In addition, these arrangements are also subject to the passing of Resolution 1. Shareholders should also note that the subsequent sale of Shares out of treasury on a non-pre-emptive basis will be authorised pursuant to the disapplication authority conferred by Resolution 1.

Use of proceeds

The Investment Manager will seek to invest the net proceeds of the Placing Programme and any sale of Shares out of treasury in accordance with the Fund's published investment policy and use such net proceeds to meet the costs and expenses of the Placing Programme.

Consent

Canaccord has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.

General Meeting

The Proposals are conditional on the approval by Shareholders of both Resolution 1 and Resolution 2 to be proposed at the Cell EGM which has been convened for Wednesday, 5 December 2012.

Resolution 1, which will be proposed as a Cell special resolution, will, if passed, give the Directors the authority:

- (a) to allot 76,970,000 Shares representing approximately 79.20 per cent. of the Fund's issued share capital as at the date of this document for cash on a non-pre-emptive basis; and
- (b) to sell up to the 20,000,000 Shares which will be bought back into treasury if Resolution 2 is passed, for cash on a non-pre-emptive basis.

Resolution 1 is not conditional on the passing of Resolution 2.

Resolution 2, which will be proposed as a Cell special resolution, will, if passed, give the Directors the authority to allot and issue 20,000,000 Shares to Canaccord on terms that all those Shares will be bought back by the Fund into treasury. Resolution 2 will not become effective unless Resolution 1 is also passed.

The Board recommends that Shareholders vote in favour of both of the Resolutions.

All Shareholders are entitled to attend and vote at the Cell EGM. In accordance with the Fund's Articles, all Shareholders present in person otherwise than by proxy shall, upon a show of hands have one vote, and on a poll every Shareholder present (including by proxy) shall have one vote in respect of every share held in the Fund. In order to ensure that a quorum is present at the Cell EGM it is necessary for two Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a representative).

The formal notice convening the Cell EGM is set out on pages 9 and 10 of this document.

Action to be taken by Shareholders

Shareholders will find enclosed with this document a Form of Proxy for use at the Cell EGM.

Whether or not you intend to be present at the Cell EGM you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed thereon, to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to arrive by no later than 10 a.m. on 3 December 2012.

The return of a completed Form of Proxy will not prevent you from attending the Cell EGM, and voting in person should you wish to do so.

Recommendation

The Board considers that the Proposals are in the best interests of Shareholders as a whole. Accordingly, the Board recommends that Shareholders vote in favour of both the Resolutions to be proposed at the Cell EGM, as the Directors intend to do in respect of their own beneficial holdings of Shares which, in aggregate, amount to 590,000 Shares, representing approximately 0.61 per cent. of the issued share capital of the Fund as at the date of this document.

Yours faithfully

Nicholas Villiers
(Chairman)

DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

Articles	the articles of association of the Fund, as amended from time to time
Board	the board of Directors of the Company
Canaccord	Canaccord Genuity Limited
Cell Extraordinary General Meeting or Cell EGM	the extraordinary general meeting of the Fund to consider the Proposals, convened for 10 a.m. on 5 December 2012 or any adjournment thereof, notice of which is set out on pages 9 and 10 of this document
Company	Middlefield Canadian Income PCC
CREST	the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form
CREST Manual	the compendium of documents entitled CREST Manual issued by Euroclear from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
Directors	the directors of the Company
Euroclear	Euroclear UK & Ireland Limited, being the operator of CREST
Financial Services Authority	the single regulatory authority for the UK financial services industry
Form of Proxy	the form of proxy provided with this document for use in connection with the Cell EGM
FSMA	the Financial Services and Markets Act 2000
Fund	Middlefield Canadian Income – GBP PC, the only Cell of the Company and, where the context permits the Company acting in respect of Middlefield Canadian Income – GBP PC
Investment Manager	Middlefield International Limited
Listing Rules	the listing rules made by the UK Listing Authority under section 74 of FSMA
Net Asset Value or NAV	the value of the assets of the Fund less its liabilities determined in accordance with the Fund's Articles and the principles adopted by the Directors for calculating the net asset value of the Fund (which includes any accrued income not yet paid as a dividend)
Net Asset Value per Share	the Net Asset Value divided by the number of Shares then in issue (excluding Shares held in treasury) and expressed in Sterling
Notice of Cell EGM or Notice	the notice of the Cell EGM as set out at the end of this document
Placing	a placing of Shares made pursuant to the Placing Programme

Placing Price	the price at which new Shares will be issued pursuant to any Placing to placees, being such price, not less than the prevailing Net Asset Value per Share nor more than a 5 per cent. premium to the Net Asset Value per Share at the time of allotment, as shall be determined by the Directors, subject to the requirements of the Listing Rules
Placing Programme	the proposed programme of placings of up to 85 million Shares in aggregate, as described in the Prospectus
Proposals	together, the proposed disapplication of pre-emption rights by the passing of Resolution 1 and the proposed allotment and issue, and the immediate repurchase, of 20,000,000 Shares into treasury authorised by the passing of Resolution 2, as described in this document
Prospectus	the prospectus relating to the Placing Programme published by the Company on 19 October 2012, a copy of which is available on the Company's website, www.middlefield.co.uk
Resolution 1	the Cell special resolution to authorise the Company to dis-apply pre-emption rights, which will be proposed at the Cell EGM and details of which are contained in the Notice of Cell EGM
Resolution 2	the Cell special resolution to authorise the allotment and issue of 20,000,000 Shares to Canaccord at the applicable Placing Price and the immediate repurchase of all those Shares into treasury by the Fund at the same price as the Placing Price, which will be proposed at the Cell EGM and details of which are set out in the Notice of Cell EGM
Resolutions	together, Resolution 1 and Resolution 2
Share Issuance Agreement	the share issuance agreement relating to the Placing Programme, dated 19 October 2012 and made between the Company in respect of the Fund, the Investment Manager and Canaccord
Shares	redeemable participating preference shares of no par value in the capital of the Fund
Shareholder	a holder of Shares and/or management shares of no par value in the capital of the Fund
Sterling or £	the lawful currency of the United Kingdom
UK Listing Authority	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland

NOTICE OF CELL EXTRAORDINARY GENERAL MEETING

MIDDLEFIELD CANADIAN INCOME – GBP PC

a cell of Middlefield Canadian Income PCC

(a protected cell company incorporated with limited liability under the laws of Jersey with registered number 93546)

Notice is hereby given that a Cell Extraordinary General Meeting (the **Meeting**) of Middlefield Canadian Income – GBP PC (the **Fund**) will be held at 14 St. George Street, London W1S 1FE on 5 December 2012 at 10 a.m. to consider and, if thought fit, approve the following resolutions as Cell special resolutions:

Cell Special Resolutions

1 **THAT**, in accordance with Article 2.5 of the Fund's Articles dated 19 September 2011 the Directors be authorised:

- (a) to allot and issue up to 76,970,000 redeemable participating preference shares of no par value in the capital of the Fund ("Shares") for cash pursuant to Article 2.22 of the Fund's Articles as if Article 2.25 did not apply to such allotment and issue; and
- (b) to sell up to 20,000,000 Shares bought back pursuant to Resolution 2 as set out in the notice of the Cell extraordinary general meeting, if passed, out of treasury for cash pursuant to Article 2.22 as if Article 2.25 did not apply to such sale,

in each case at a price per Share which is not less than the applicable Placing Price (as determined at the time of such allotment or sale in accordance with the prospectus published by the Company dated 19 October 2012). This authority shall expire on the earlier of midnight on 18 October 2013 or the conclusion of the next annual general meeting of the Fund, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted or sold after such expiry pursuant to any such offer or agreement as if the power conferred hereby had not expired.

2 **THAT**, subject to the passing of Resolution 1 set out in the notice of this Cell extraordinary general meeting, the allotment and issue of 20,000,000 new redeemable participating preference shares of no par value in the capital of the Fund ("Share") to Canaccord Genuity Limited at the applicable Placing Price (as determined at the time of such allotment in accordance with the prospectus published by the Company dated 19 October 2012), on terms that all such Shares will be purchased back by the Fund at the same price as the Placing Price and held in treasury, be and is hereby approved, provided that this authority shall expire on the earlier of midnight on 18 October 2013 or the conclusion of the next annual general meeting of the Fund (save that the Fund may prior to such expiry make an offer to purchase Shares for delivery to the Fund after such expiry).

BY ORDER OF THE BOARD

Kleinwort Benson (Channel Islands) Corporate Service Limited

Secretary

Date: 16 November 2012

Registered Office: Kleinwort Benson House
West's Centre
St Helier
Jersey
Channel Islands JE4 8PQ

Notes:

These notes should be read in conjunction with the notes on the reverse of the Form of Proxy.

- (1) A Shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a Shareholder.

- (2) For the convenience of Shareholders who may be unable to attend the Meeting, a reply-paid Form of Proxy is enclosed with this document. To be valid, the Form of Proxy should be completed in accordance with the instructions printed on it and sent, so as to reach Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 48 hours before the time fixed for the Cell Extraordinary General Meeting. The fact that Shareholders may have completed Forms of Proxy will not prevent them from attending and voting in person at the Cell Extraordinary General Meeting should they subsequently decide to do so.
- (3) The quorum for the Cell Extraordinary General Meeting is at least two Shareholders present in person or by proxy or by attorney. The majority required for the passing of each Cell special resolution is two-thirds or more of the total number of votes cast for and against such resolution.
- (4) If, within half an hour from the appointed time for the Cell Extraordinary General Meeting, a quorum is not present, then the Cell Extraordinary General Meeting will be adjourned to the same day at the same time in the next week (or if that date is a public holiday in the United Kingdom, to the next working day thereafter at the same time) and same address. At that meeting, if a quorum is not present within half an hour from the time appointed for the holding of the meeting, those Shareholders present in person or by proxy or by attorney will form a quorum whatever their number and the number of shares held by them. Again, a majority of not less than two-thirds of the total number of votes cast is required to pass each Cell special resolution.
- (5) In the event that a Form of Proxy is returned without an indication as to how the proxy shall vote on the Resolutions, the proxy will exercise his discretion as to whether, and if so how, he votes.
- (6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Cell Extraordinary General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (7) In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) by the latest time(s) for receipt of proxy appointments specified in Note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- (8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (9) The Fund may treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999.
- (10) The Fund, pursuant to regulation 40 of the (Companies Uncertificated Securities) (Jersey) Order 1999 (as amended), specifies that only holders of Shares registered in the register of members of the Fund at 6.00 p.m. on 3 December 2012 shall be entitled to attend or vote at the Cell Extraordinary General Meeting in respect of the number of Shares registered in their name at that time or in the event that the Cell Extraordinary General Meeting is adjourned, in the register of members at 6.00 p.m. two days before the date of any adjourned Cell Extraordinary General Meeting. Changes to entries on the register of members after such time or, in the event that the Cell Extraordinary General Meeting is adjourned, to entries in the register of members after 6.00 p.m. two days before the date of the adjourned Cell Extraordinary General Meeting, shall be disregarded in determining the rights of any person to attend or vote at the Cell Extraordinary General Meeting.
- (11) As at 15 November 2012, being the last business day prior to the printing of this Notice, the Fund's issued capital consisted of 97,182,250 Shares carrying one vote each and 2 management shares carrying one vote each. Therefore, the total voting rights in the Fund as at 15 November 2012 was 97,182,252.

