



## FIRST QUARTER REPORT 2004

For the period ended March 31, 2004

*Press Release*

MINT *Income Fund* (the “Fund”) is pleased to present its unaudited financial results for the period ended March 31, 2004, the details of which are attached. In addition, the Fund is pleased to announce that at a special meeting of unitholders held on May 25, 2004, unitholders approved a proposal to amend the trust agreement governing the affairs of MINT by extending its life beyond the scheduled termination date of February 25, 2005. In addition, changes intended to enhance liquidity and update certain attributes of MINT were approved, including an increase in the frequency of distributions paid to unitholders. Commencing in the third quarter MINT will pay its distributions on a monthly basis instead of quarterly.

As at March 31, 2004, the asset class weightings for MINT’s portfolio were:

<b>Asset Class</b>	<b>Portfolio Weighting</b>
Business Trusts	43.4%
REITs	25.0%
Oil and Gas Royalty Trusts	16.9%
Power and Pipeline Trusts	11.4%
Cash	3.3%

The primary objective of MINT is to provide unitholders with high levels of sustainable monthly income. The Fund invests in a diversified portfolio of income trusts and may also invest in high-yield debt, convertible debt and various debt-like securities with returns linked to movements in equity prices, commodity prices or currencies. MINT invests selectively in the income trust sector with a bias toward economically sensitive trusts with lower capital expenditure requirements, stable cash flows and dominant market positions. Business trusts, represented by over 70 issuers across a broad range of industries, comprise the largest weighting within MINT’s portfolio, supplemented by REITs and oil and gas royalty trusts. This strategy provides unitholders with a balance of high, stable, tax-efficient income and potential for capital appreciation.

**MINT trades on the Toronto Stock Exchange under the symbol “MID.UN”.**

*For further information, please contact Nancy Tham, Vice President, at (416) 362-0714 ext. 277 or visit our website at [www.middlefield.com](http://www.middlefield.com).*

May 27, 2004

*This press release contains forward-looking information. Actual future results may differ materially. The risks, uncertainties and other factors that could influence actual results are described in the MINT annual report and other documents filed with regulatory authorities.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **MARCH 31, 2004 AND 2003 (UNAUDITED)**

*The following discussion and analysis should be read in conjunction with the attached unaudited interim financial statements. Readers should also refer to Management's Discussion and Analysis in the Fund's 2003 Annual Report. Management is responsible for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable.*

#### **SECTOR ANALYSIS**

The business trust sector continues to expand, offering attractive returns and broad industry diversification. During the quarter, MINT added two business trusts to its portfolio: Connors Bros. Income Fund and Menu Foods Income Fund. Connors Bros. is the world's largest producer of canned sardines with a dominant market share in North America. During the first quarter, Connors Bros. entered into an agreement to acquire the producers of leading canned seafood lines such as Clover Leaf, Bumble Bee, Orleans and King Oscar. Menu Foods is a leading North American manufacturer of private-label pet food products. With increased market penetration expected to continue, growth rates for private label products and pet food in particular, should remain strong.

During the first quarter, REITs continued to provide investors with excellent returns. The O&Y REIT was added to MINT's portfolio. O&Y owns a portfolio of office properties in seven cities across Canada.

The oil and gas royalty trust sector experienced significant growth in the first quarter and has evolved into a major part of the Canadian oil and gas industry. The royalty trust sector continued to lead the performance of the income trust universe fuelled by the strength in commodity prices and growing investor interest. Strong fundamental support for commodity prices should continue to support current distribution levels.

In light of the Co-Advisors' expectation of a growing economy and increasing interest rates over the next 12 months, the Fund has an underweight position in power and pipeline trusts.

#### **DISTRIBUTIONS TO UNITHOLDERS**

On March 17, 2004, MINT announced a first quarter distribution of \$0.20 per unit to unitholders of record on March 31, 2004. This represents an increase of \$0.02 per unit or 11% over the \$0.18 per unit distribution paid to unitholders of record on March 31, 2003.

#### **FINANCIAL PERFORMANCE**

The net asset value per unit increased by 7% during the quarter from \$9.79 at December 31, 2003 to \$10.52 at March 31, 2004 reflecting a 9.7% total return. Net investment income was \$0.19 per unit in the first quarter of 2004 compared to \$0.21 per unit during the first quarter of 2003. The ratio of management fees and other operating expenses (excluding interest expense and bank charges) to average net asset value ("MER") was 1.95% for the period, compared to 1.45% in the first quarter of 2003.

#### **OUTLOOK**

In May 2004, the provincial government of Alberta introduced legislation (which has received royal assent) that is intended to provide investors in income trusts domiciled in Alberta, where most oil and gas royalty trusts are domiciled, with limited liability protection. On May 18, 2004, the Ontario government announced its intention to propose similar legislation. The anticipated change in legislation underway combined with the continued growth of the income trust sector and lifting of the limits on investment in business trusts by pension funds will be catalysts for even broader institutional participation and greater liquidity in the sector.

With interest rates expected to rise over the next 12 months, income trusts have experienced a pullback from recent highs, particularly in the interest-rate sensitive sectors such as the power and pipeline trusts. By focusing the Fund's investment portfolio on economically sensitive trusts, MINT is well-positioned to benefit from an improving North American economy. These types of trusts have the potential to increase revenues and deliver growth in distributable income during the expansionary phase of the business cycle.

**STATEMENTS OF FINANCIAL HIGHLIGHTS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2004	2003
<b>DATA PER UNIT</b>		
Net Asset Value at Beginning of Period	\$ 9.79	\$ 7.34
<b>INCOME FROM INVESTMENT OPERATIONS:</b>		
Net Investment Income	0.19	0.21
Net Realized and Unrealized Gain (Loss) on Investments	0.74	(0.04)
	<b>0.93</b>	<b>0.17</b>
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
	<b>0.20</b>	<b>0.18</b>
Net Asset Value at End of Period	\$ 10.52	\$ 7.33
<b>RATIOS/SUPPLEMENTAL DATA</b>		
Total Assets at End of Period	\$ 65,729,302	\$ 45,129,323
Total Net Assets at End of Period	\$ 48,844,141	\$ 34,505,403
Weighted Average Net Assets	\$ 47,506,968	\$ 35,402,132
Management Expense Ratio*	1.95%	1.45%
Portfolio Turnover Rate	10.48%	3.29%
Total Rate of Return for the Period	9.72%	2.38%

\* Excludes interest expense and bank charges

STATEMENTS OF NET ASSETS AS AT MARCH 31, 2004 AND DECEMBER 31, 2003	March 31 2004 Unaudited	December 31 2003 Audited
<b>ASSETS:</b>		
Investments at Fair Value	\$ 63,081,430	\$ 59,460,320
Cash	2,136,114	1,272,881
Income and Interest Receivable	511,758	449,979
	<b>65,729,302</b>	<b>61,183,180</b>
<b>LIABILITIES:</b>		
Loan Payable	14,757,061	14,645,611
Accounts Payable and Accrued Liabilities	1,199,796	103,285
Unitholder Distributions Payable	928,304	929,365
	<b>16,885,161</b>	<b>15,678,261</b>
Net Assets	<b>\$ 48,844,141</b>	<b>\$ 45,504,919</b>
Units Issued and Outstanding	<b>4,641,523</b>	<b>4,646,824</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2004	2003
<b>INVESTMENT INCOME:</b>		
Income from Investments	\$ 1,332,596	\$ 1,124,522
Interest	5,427	97,930
	<b>1,338,023</b>	<b>1,222,452</b>
<b>EXPENSES :</b>		
Interest and Bank Charges	113,366	103,220
Management Fee	128,521	93,208
General and Administrative	215,072	33,071
	<b>456,959</b>	<b>229,499</b>
Net Investment Income	<b>881,064</b>	<b>992,953</b>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS :</b>		
Net Realized Gain (Loss) from Investment Transactions	547,769	(1,256,210)
Change in Net Unrealized Gain on Investments	2,890,102	1,073,729
Net Gain (Loss) on Investments	<b>3,437,871</b>	<b>(182,481)</b>
Net Increase in Net Assets Resulting from Operations	<b>\$ 4,318,935</b>	<b>\$ 810,472</b>

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2004	2003
Net Assets at Beginning of Period	\$ 45,504,919	\$ 34,924,039
<b>OPERATIONS:</b>		
Net Increase in Net Assets Resulting from Operations	<b>4,318,935</b>	<b>810,472</b>
<b>DISTRIBUTIONS TO UNITHOLDERS</b>		
	<b>(928,304)</b>	<b>(848,291)</b>
<b>UNITHOLDER TRANSACTIONS:</b>		
Purchase of Trust Units	(51,409)	(380,817)
Net Increase (Decrease) in Net Assets	<b>3,339,222</b>	<b>(418,636)</b>
Net Assets at End of Period	<b>\$ 48,844,141</b>	<b>\$ 34,505,403</b>

The accompanying notes to financial statements are an integral part of these financial statements.

## STATEMENT OF INVESTMENT PORTFOLIO - AS AT MARCH 31, 2004

Unaudited

Description	No. of Units	Cost	Fair Value
Advanced Fiber Technologies Income Fund	100,000	\$ 1,029,590	\$ 1,429,000
Bell Nordiq Income Fund	85,000	908,350	1,270,750
BFI Canada Income Fund	85,000	931,502	1,638,800
CCS Income Trust	50,000	869,000	1,525,000
Chemtrade Logistics Income Fund	80,000	1,205,798	1,558,400
Clearwater Seafoods Income Fund	100,000	1,037,537	1,240,000
Connors Bros. Income Fund – Subscription Receipts	65,000	1,121,250	1,127,750
Davis + Henderson Income Fund	80,000	882,293	1,552,000
Great Lakes Carbon Income Fund	75,000	790,969	892,500
Heating Oil Partners Income Fund	100,000	1,165,000	1,354,000
KCP Income Fund	100,000	1,005,568	951,000
Livingston International Income Fund	100,000	1,158,366	1,736,000
Menu Foods Income Fund	60,000	876,000	954,000
Newalta Income Fund	60,000	772,500	1,144,200
Noranda Income Fund	100,000	987,750	1,209,000
PBB Global Logistics Income Fund	100,000	1,219,783	1,555,000
Superior Plus Income Fund	50,000	773,301	1,408,500
The Consumers' Waterheater Income Fund	100,000	1,001,847	1,500,000
UE Waterheater Income Fund	87,300	892,736	1,030,140
Versacold Income Fund	90,000	751,740	900,000
Westshore Terminals Income Fund	150,000	757,500	1,140,000
Yellow Pages Income Fund	100,000	1,096,430	1,237,000
<b>BUSINESS TRUSTS: 43.4%</b>		<b>21,234,810</b>	<b>28,353,040</b>
Alexis Nihon Real Estate Investment Trust	50,000	500,500	682,500
Boardwalk Equities Inc.	40,000	698,128	708,000
Borealis Retail Real Estate Investment Trust	115,000	1,150,000	1,483,500
Canadian Real Estate Investment Trust	80,000	960,000	1,384,000
Calloway Real Estate Investment Trust	80,000	903,157	1,344,000
Chartwell Seniors Housing Real Estate Investment Trust	100,000	1,127,786	1,382,000
Cominar Real Estate Investment Trust	60,000	740,002	948,000
H&R Real Estate Investment Trust	105,000	1,204,828	1,863,750
IPC US Income Commercial Real Estate Investment Trust	95,000	956,240	1,083,000
O&Y Real Estate Investment Trust	65,000	874,250	868,400
Retirement Residences Real Estate Investment Trust	75,000	939,807	981,000
RioCan Real Estate Investment Trust	100,000	1,060,273	1,646,000
Summit Real Estate Investment Trust	85,000	1,013,806	1,636,250
TGS North American Real Estate Investment Trust	29,000	290,000	294,640
<b>REAL ESTATE INVESTMENT TRUSTS: 25.0%</b>		<b>12,418,777</b>	<b>16,305,040</b>
Advantage Energy Income Fund	80,000	957,715	1,517,600
ARC Energy Trust	100,000	1,235,895	1,564,000
Bonavista Energy Trust	50,000	823,788	1,112,000
Canadian Oil Sands Trust	15,000	545,093	667,500
Enerplus Resources Fund	30,000	852,770	1,153,200
Focus Energy Trust	100,000	1,020,900	1,483,000
NAL Oil & Gas Trust	75,000	686,250	860,250
Peyto Energy Trust	50,000	876,023	1,545,000
Vermilion Energy Trust	60,000	735,123	1,098,000
<b>OIL AND GAS ROYALTY TRUSTS: 16.9%</b>		<b>7,733,557</b>	<b>11,000,550</b>
Algonquin Power Income Fund	100,000	997,188	1,057,000
Boralex Power Income Fund	75,000	781,702	850,500
Calpine Power Income Fund	70,000	692,734	860,300
Enbridge Income Fund	100,000	1,162,000	1,294,000
Northland Power Income Fund	100,000	1,000,000	1,299,000
Pembina Pipeline Income Fund	100,000	1,050,334	1,325,000
TransCanada Power L.P.	20,000	639,092	737,000
<b>POWER AND PIPELINE TRUSTS: 11.4%</b>		<b>6,323,050</b>	<b>7,422,800</b>
<b>CASH: 3.3%</b>		<b>2,136,114</b>	<b>2,136,114</b>
Total Investment Portfolio, including Cash		\$ 49,846,308	\$ 65,217,544

The accompanying notes to financial statements are an integral part of this financial statement.

**STATEMENTS OF NET REALIZED GAIN (LOSS) FROM INVESTMENT TRANSACTIONS  
FOR THE THREE MONTHS ENDED MARCH 31**

Unaudited	2004	2003
Proceeds from Sale of Investments	\$ 6,456,454	\$ 3,601,262
Less: Cost of Investments Sold:		
Owned at Beginning of Period	46,979,186	46,146,494
Purchased During Period	6,639,693	1,470,432
Owned at End of Period	(47,710,194)	(42,759,454)
	<b>5,908,685</b>	<b>4,857,472</b>
Net Realized Gain (Loss) from Investment Transactions	\$ 547,769	\$ (1,256,210)

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004 AND 2003 (UNAUDITED)**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The interim financial statements of MINT *Income Fund* (the “Fund”) have been prepared in accordance with Canadian generally accepted accounting principles. They follow the same accounting policies and methods used in the Fund’s financial statements for the year ended December 31, 2003. The Fund’s interim financial statements should be read in conjunction with the financial statements for the year ended December 31, 2003 as set out on pages 41 through 48 of the Middlefield Income Funds 2003 Annual Report.

**2. DISTRIBUTIONS**

The Fund paid a cash distribution of \$0.20 per unit on April 23, 2004 (2003 - \$0.18) to all unitholders of record on March 31, 2004. Distributions of the Fund, at the discretion of the unitholder, are reinvested in additional units of the Fund, under the Distribution Reinvestment Plan without sales charge. For the three months ended March 31, 2004, 2,450 units (2003 – 2,690) were purchased under the Plan.

**DISTRIBUTION REINVESTMENT PLAN**

The Fund’s Distribution Reinvestment Plan allows unitholders to automatically reinvest quarterly distributions in additional units of the Fund. This feature provides unitholders with an excellent opportunity to benefit from compounding by investing distributions at a high reinvestment rate. Please contact your investment advisor to enroll in the Plan or contact Angela Wannappa at (888) 890-1868.

## **FUND PROFILE**

*The primary objectives of MINT are to produce a high level of sustainable income and to minimize the risk of investing in high yield securities on a cost effective basis. MINT is comprised of the following asset classes: business trusts, real estate investment trusts, power and pipeline trusts, and oil and gas royalty trusts. MINT is fully RRSP eligible. MINT trades on the Toronto Stock Exchange under the symbol "MID.UN".*

## **DIRECTORS AND OFFICERS OF THE MANAGER**

W. Garth Jestley, Chairman and Director  
Dean C. Orrico, President and Director  
Sylvia V. Stinson, Executive Vice President and Director  
Nancy Tham, Vice President  
Anthony P. Traub, Secretary-Treasurer and Director  
Angela V. Wannappa, Vice President

## **THE ADVISOR**

### **Middlefield Capital Corporation**

Murray J. Brasseur, Chairman  
Darren N. Cabral, Vice President  
Richard L. Faiella, Senior Vice President  
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