



## SECOND QUARTER REPORT 2005

For the period ended June 30, 2005

*Press Release*

### **MINT announces Second Quarter Results**

Middlefield Group is pleased to present the unaudited financial results for MINT *Income Fund* (the “Fund”) for the period ended June 30, 2005, the details of which are attached.

On February 24, 2005, MINT made a proposal to SAGE Income Fund (“SAGE”) to merge the two funds. The merger was approved by unitholders and on April 18, 2005 the two funds were combined, with MINT as the continuing entity. The primary benefits to MINT unitholders are a reduction in Fund operating costs on a per unit basis and an opportunity to participate in a larger fund with greater liquidity.

**On April 19, 2005, MINT announced that a distribution of \$0.10 per unit would be payable on May 13, 2005 to the Fund’s unitholders of record on April 30, 2005. This represented a significant increase over the distributions paid previously and reflects in part the benefits of the merger.** As a result, during the second quarter of 2005, MINT declared monthly distributions totalling \$0.30 per unit.

As at June 30, 2005, the asset class weightings for MINT’s portfolio were:

<b>Asset Class</b>	<b>Portfolio Weighting</b>
Business Trusts	37%
Oil and Gas Royalty Trusts	32%
Real Estate Investment Trusts	22%
Power and Pipeline Trusts	7%
Common Shares	2%

The Fund invests in a diversified portfolio of income trusts and may also invest in common shares, 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 115 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, Senior Vice President, at (416) 847-5349 or visit our website at [www.middlefield.com](http://www.middlefield.com).*

August 29, 2005

*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**

### **JUNE 30, 2005 AND 2004 (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 2004 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 both attractive returns and broad industry diversification. In the second quarter, MINT initiated positions in Lakeport Brewing Income Fund and Spinrite Income Fund. Lakeport is an Ontario-based, diversified brewing company focused on producing quality beer for the value segment of the take-home market. Sales recently hit a single week record of more than 167,000 cases purchased at Ontario beer stores and it currently enjoys about a 10% share of the Ontario take-home market. Spinrite researches, develops, manufactures and markets a broad variety of consumer craft yarns. Spinrite is the largest marketer of craft yarn in Canada and one of the largest and fastest growing in the United States. The yarn market remains strong and Spinrite intends to capitalize on its increasing market share in the U.S.

During the quarter, crude oil prices continued to climb higher due to a lack of spare productive capacity and no signs of a reduction in demand in response to higher prices. Natural gas prices likewise continued to rise reflecting higher crude prices and tight North American supply. MINT initiated positions in several royalty trusts during the quarter, including Esprit Energy Trust and Vault Energy Trust. Both trusts are characterized by long-life, gas-weighted assets and are focused on maintaining production and reserves while providing investors with sustainable distributions.

REITs rebounded in the second quarter of 2005 with the S&P/TSX Capped REIT Index posting a total return of approximately 9.3%. During the quarter, MINT established a position in Allied Properties REIT. Allied Properties owns a portfolio of predominantly redeveloped industrial space office properties in downtown Toronto and Montreal and recently expanded into Winnipeg.

The Fund continued to maintain an underweight position in power and pipeline trusts in light of the Advisor's expectation of continued growth in the North American economy and increasing interest rates over the next 12 months.

#### **DISTRIBUTIONS TO UNITHOLDERS**

During the second quarter of 2005, MINT declared monthly distributions totaling \$0.30 per unit. This represents an increase of \$0.10 per unit or 50% over the \$0.20 per unit distribution paid to unitholders in the second quarter of 2004. On April 19, 2005, MINT announced that a distribution of \$0.10 per unit would be payable on May 13, 2005 to MINT unitholders of record on April 30, 2005. This represents a 43% increase over the distributions paid previously and reflects in part benefits of the merger with SAGE.

#### **FINANCIAL PERFORMANCE**

The net asset value per unit increased by 5.4% during the quarter from \$12.06 at March 31, 2005 to \$12.71 at June 30, 2005 and together with distributions paid resulted in an 8% total return. Net investment income was \$0.32 per unit in the second quarter of 2005 compared to \$0.24 per unit during the second quarter of 2004 primarily due to the merger with SAGE. The ratio of management fees and other operating expenses (excluding interest expense and bank charges) to average net asset value ("MER") was 1.69% for the three months ended June 30, 2005, compared to 1.43% in the second quarter of 2004 due to service fees being paid to investment dealers commencing in 2005.

#### **OUTLOOK**

Looking forward, we expect income trusts will continue to generate attractive returns over the next 12 to 18 months. This is supported by two key factors. Firstly, the economic environment will likely be characterized by modest growth, low interest rates, benign inflation and strong energy prices. Secondly, income trusts will be added to Canada's primary equity index, the S&P/TSX Composite Index (the "Index"), which is expected to result in incremental demand from institutional and index investors totalling several billion dollars. Demand from foreign investors, particularly from the United States, is also expected to support current valuations in the income trust sector. Today, U.S. ownership of Canadian royalty trusts is estimated to be between 25% and 35% and U.S. investors are now turning their attention to the broader income trust sector in search of high levels of stable income. As a result, income trusts should continue to offer attractive returns comprised of cash distributions and modest capital appreciation, particularly in those issuers expected to be included in the Index.

**FINANCIAL HIGHLIGHTS  
FOR THE PERIODS ENDED JUNE 30**

	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>DATA PER UNIT</b>				
Net Asset Value at Beginning of Period	\$ 12.06	\$ 10.52	\$ 11.86	\$ 9.79
<b>INCOME (LOSS) FROM INVESTMENT OPERATIONS:</b>				
Net Investment Income	0.32	0.24	0.55	0.43
Net Realized and Unrealized Gain (Loss) on Investments	0.63	(0.90)	0.81	(0.16)
	0.95	(0.66)	1.36	0.27
<b>DISTRIBUTIONS TO UNITHOLDERS</b>				
	0.30	0.20	0.51	0.40
Net Asset Value at End of Period	\$ 12.71	\$ 9.66	\$ 12.71	\$ 9.66
Market Price at End of Period	\$ 12.40	\$ 9.42	\$ 12.40	\$ 9.42

**RATIOS/SUPPLEMENTAL DATA**

Total Assets at End of Period	\$ 79,625,780	\$ 57,921,946	\$ 79,625,780	\$ 57,921,946
Net Assets at End of Period	\$ 55,909,631	\$ 43,663,662	\$ 55,909,631	\$ 43,663,662
Weighted Average Net Assets	\$ 50,700,717	\$ 43,543,072	\$ 48,973,513	\$ 45,525,020
Market Capitalization at End of Period	\$ 54,531,480	\$ 42,582,714	\$ 54,531,480	\$ 42,582,714
Management Expense Ratio <sup>1</sup>	1.69%	1.43%	1.66%	1.87%
Total Rate of Return for the Period <sup>2</sup>	7.98%	(6.31)%	11.79%	2.79%

<sup>1</sup>Ratio of expenses to average net assets, based on annualized expenses for the stated period, excluding interest expense and bank charges.

<sup>2</sup>Historical total return of an investment for the period, assuming reinvestment of all distributions.

**STATEMENT OF NET ASSETS  
AS AT JUNE 30, 2005 AND DECEMBER 31, 2004**

Unaudited	2005	2004
<b>ASSETS:</b>		
Investments at Fair Value	\$ 77,629,500	\$ 67,162,950
Cash	1,392,699	1,298,073
Income and Interest Receivable	546,356	437,651
Accounts Receivable	57,225	7,954
	79,625,780	68,906,628
<b>LIABILITIES:</b>		
Loan Payable	22,908,798	15,957,337
Unitholder Distributions Payable	440,040	310,026
Accounts Payable and Accrued Liabilities	367,311	123,904
	23,716,149	16,391,267
Net Assets	\$ 55,909,631	\$ 52,515,361
Units Issued and Outstanding	4,397,700	4,428,449
Net Asset Value per Unit	\$ 12.71	\$ 11.86

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

Unaudited	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
<b>INVESTMENT INCOME:</b>				
Income from Investments	\$ 1,660,648	\$ 1,317,867	\$ 2,861,608	\$ 2,650,463
Interest	10,391	5,003	27,533	10,430
	<b>1,671,039</b>	1,322,870	<b>2,889,141</b>	2,660,893
<b>EXPENSES:</b>				
Interest and Bank Charges	156,234	91,149	289,703	204,515
Management Fee	136,668	114,874	250,918	243,395
Service Fee to Investment Dealers	41,675	-	68,440	-
General and Administrative	35,719	40,111	82,603	255,183
	<b>370,296</b>	246,134	<b>691,664</b>	703,093
Net Investment Income	<b>1,300,743</b>	1,076,736	<b>2,197,477</b>	1,957,800
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>				
Net Realized Gain from				
Investment Transactions	1,737,666	1,241,139	8,288,779	1,788,908
Change in Net Unrealized				
Gain (Loss) on Investments	1,557,074	(5,457,556)	(3,953,326)	(2,567,454)
Net Gain (Loss) on Investments	<b>3,294,740</b>	(4,216,417)	<b>4,335,453</b>	(778,546)
Net Increase (Decrease) in Net Assets				
Resulting from Operations	\$ 4,595,483	\$ (3,139,681)	\$ 6,532,930	\$ 1,179,254
Earnings (Loss) per Unit	\$ 1.13	\$ (0.67)	\$ 1.63	\$ 0.26

Unaudited	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Net Assets at Beginning of Period	\$ 36,198,889	\$ 48,844,141	\$ 52,515,361	\$ 45,504,919
<b>OPERATIONS:</b>				
Net Increase (Decrease) in Net Assets				
Resulting from Operations	4,595,483	(3,139,681)	6,532,930	1,179,254
<b>DISTRIBUTIONS TO UNITHOLDERS</b>	<b>(1,324,489)</b>	<b>(904,092)</b>	<b>(2,058,853)</b>	<b>(1,832,396)</b>
<b>UNITHOLDER TRANSACTIONS:</b>				
Issue (Purchase) of Trust Units, Net	16,439,748	(1,136,706)	(1,079,807)	(1,188,115)
Net Increase (Decrease) in Net Assets	<b>19,710,742</b>	(5,180,479)	<b>3,394,270</b>	(1,841,257)
Net Assets at End of Period	\$ 55,909,631	\$ 43,663,662	\$ 55,909,631	\$ 43,663,662
Distributions per Unit	\$ 0.30	\$ 0.20	\$ 0.51	\$ 0.40

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

## STATEMENT OF INVESTMENT PORTFOLIO

AS AT JUNE 30, 2005

Unaudited

Description	No. of Securities	Cost	Fair Value
AG Growth Income Fund	50,000	\$ 665,950	\$ 775,000
Bell Nordiq Income Fund	110,000	1,346,018	2,002,000
BFI Canada Income Fund	65,000	1,078,354	1,774,500
CCS Income Trust	65,000	1,005,062	1,885,000
Connors Bros. Income Fund	85,000	1,473,842	1,283,500
Davis + Henderson Income Fund	60,000	847,324	1,255,200
Hardwoods Distribution Income Fund	70,000	822,747	815,500
KCP Income Fund	110,000	1,132,176	1,260,600
Lakeport Brewing Income Fund	50,000	500,000	536,500
Livingston International Income Fund	50,000	714,125	1,064,000
Medical Facilities Corporation	80,000	1,059,887	1,047,200
Newalta Income Fund	50,000	643,750	1,105,500
Noranda Income Fund	130,000	1,355,563	1,618,500
Parkland Income Fund	75,000	1,498,708	1,492,500
PBB Global Logistics Income Fund	85,000	1,123,120	1,181,500
Spinrite Income Fund	100,000	1,106,727	1,244,000
Student Transportation of America Ltd.	75,000	832,650	1,012,500
Superior Plus Income Fund	60,000	1,218,441	1,911,000
The Consumers' Waterheater Income Fund	120,000	1,360,510	1,953,600
Tree Island Wire Income Fund	100,000	1,504,354	1,574,000
UE Waterheater Income Fund	100,000	1,142,758	1,370,000
Westshore Terminals Income Fund	75,000	544,750	889,500
<b>BUSINESS TRUSTS: 36.8%</b>		<b>22,976,816</b>	<b>29,051,600</b>
Acclaim Energy Trust	115,000	1,564,724	1,764,100
ARC Energy Trust	100,000	1,474,428	1,994,000
Bonavista Energy Trust	60,000	1,296,192	1,862,400
Canadian Oil Sands Trust	25,000	1,432,443	2,252,500
Chamaelo Exploration Ltd.	18,000	167,143	136,800
Crescent Point Energy Trust	60,000	1,042,237	1,108,800
Enerplus Resources Fund	30,000	989,513	1,404,000
Esprit Energy Trust	100,000	1,147,210	1,194,000
Fairborne Energy Trust	100,000	1,085,865	1,080,000
Focus Energy Trust	85,000	1,100,040	1,836,000
Ketch Resources Trust	110,000	1,462,000	1,254,000
NAL Oil & Gas Trust	100,000	1,062,406	1,425,000
Penn West Energy Trust	50,000	1,439,740	1,449,000
Progress Energy Trust	100,000	1,218,000	1,303,000
StarPoint Energy Trust	100,000	1,848,247	1,885,000
Vault Energy Trust	50,000	472,157	522,500
Vermilion Energy Trust	75,000	1,122,603	1,752,000
Viking Energy Royalty Trust	175,000	1,205,956	1,239,000
<b>OIL AND GAS ROYALTY TRUSTS: 32.2%</b>		<b>21,130,904</b>	<b>25,462,100</b>
Allied Properties Real Estate Investment Trust	45,000	663,475	702,000
Calloway Real Estate Investment Trust	100,000	1,408,105	2,143,000
Canadian Real Estate Investment Trust	75,000	1,052,500	1,448,250
Chartwell Seniors Housing Real Estate Investment Trust	75,000	888,471	1,077,000
Cominar Real Estate Investment Trust	55,000	780,772	1,037,850
H&R Real Estate Investment Trust	80,000	1,135,539	1,561,600
Huntington Real Estate Investment Trust	300,000	825,000	951,000
IPC US Income Commercial Real Estate Investment Trust	125,000	1,267,879	1,373,750
O&Y Real Estate Investment Trust	55,000	776,745	825,000
Primaris Retail Real Estate Investment Trust	100,000	1,091,165	1,415,000
Retirement Residences Real Estate Investment Trust	130,000	1,354,363	1,181,700
RioCan Real Estate Investment Trust	95,000	1,281,914	1,900,000
Summit Real Estate Investment Trust	95,000	1,370,128	1,948,450
<b>REAL ESTATE INVESTMENT TRUSTS: 22.2%</b>		<b>13,896,056</b>	<b>17,564,600</b>
AltaGas Income Trust	65,000	1,376,250	1,639,950
Calpine Power Income Fund	70,000	692,734	728,000
Enbridge Income Fund	50,000	604,000	706,500
Keyera Facilities Income Fund	50,000	588,022	817,000
Macquarie Power Income Fund	85,000	895,305	964,750
Pembina Pipeline Income Fund	50,000	574,944	695,000
<b>POWER AND PIPELINE TRUSTS: 7.0%</b>		<b>4,731,255</b>	<b>5,551,200</b>
<b>CASH: 1.8%</b>		<b>1,392,699</b>	<b>1,392,699</b>
Total Investment Portfolio, including Cash		\$ 64,127,730	\$ 79,022,199

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

**STATEMENTS OF NET REALIZED GAIN FROM INVESTMENT TRANSACTIONS  
FOR THE PERIODS ENDED JUNE 30**

Unaudited	Three Months Ended June 30		Six Months Ended June 30	
	2005	2004	2005	2004
Proceeds from Sale of Investments	\$ 16,554,311	\$ 6,278,905	\$ 44,714,037	\$ 12,735,359
Less: Cost of Investments Sold:				
Owned at Beginning of Period	36,133,655	47,710,194	48,315,155	46,979,186
Purchased During Period	41,418,021	4,533,192	50,845,134	11,172,885
Owned at End of Period	(62,735,031)	(47,205,620)	(62,735,031)	(47,205,620)
	<b>14,816,645</b>	<b>5,037,766</b>	<b>36,425,258</b>	<b>10,946,451</b>
Net Realized Gain from Investment Transactions	\$ 1,737,666	\$ 1,241,139	\$ 8,288,779	\$ 1,788,908

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005 AND 2004 (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 of application as the Fund’s financial statements for the year ended December 31, 2004. The Fund’s interim financial statements do not include all disclosures as required by GAAP for annual financial statements and accordingly, should be read in conjunction with the financial statements for the year ended December 31, 2004 as set out on pages 61 to 63 and 78 to 82 of the Middlefield Income Funds 2004 Annual Report.

**2. DISTRIBUTIONS**

For the six months ended June 30, 2005, distributions amounted to \$0.51 per unit (2004 - \$0.40). 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 six months ended June 30, 2005, 5,663 units (2004 – 4,986) were issued under the Plan of which no units (2004 – 2,536) were issued from treasury.

**3. MERGER WITH SAGE INCOME FUND**

The Fund merged with SAGE Income Fund (“SAGE”) on April 18, 2005, with MINT as the continuing entity. The Fund issued 1,461,336 units in exchange for the net assets of SAGE using an exchange ratio based on the relative net asset values of MINT and SAGE as at the close of trading on April 15, 2005.

**DISTRIBUTION REINVESTMENT PLAN**

The Fund’s Distribution Reinvestment Plan allows unitholders to automatically reinvest monthly 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, oil and gas royalty trusts, real estate investment trusts and power and pipeline 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

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