

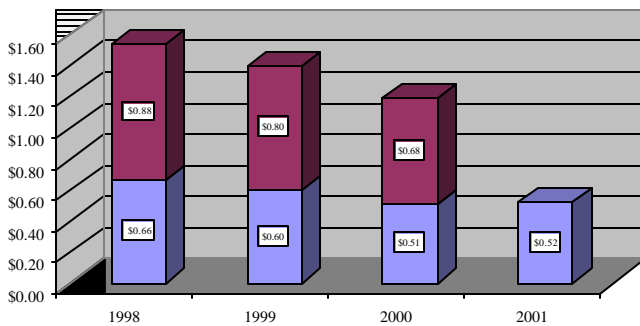
# THIRD QUARTER REPORT 2001

For the quarter ending September 30, 2001

*Press Release*

## MINT ANNOUNCES THIRD QUARTER RESULTS

Cash Distributions



■ Distribution Per Unit - Q1-Q3 ■ Annual Distribution Per Unit

- Total return for the twelve months ending September 30, 2001 exceeds 18%.
- Q3 distributions on a per unit basis increased to \$0.18 per quarter.
- 11.9% market price appreciation over the twelve months ending September 30, 2001.

### Financial Highlights

	<i>Three Months Ended Sept. 30</i>		<i>Nine Months Ended Sept. 30</i>	
	2001	2000	2001	2000
Investment and Interest Income	\$ 1,198,468	\$ 1,266,942	\$ 3,910,765	\$ 4,264,011
Trust Expenses	317,345	388,841	987,536	1,193,432
Net Investment Income	881,123	878,101	2,923,229	3,070,579
Net Asset Value per Unit	6.83	6.40	6.83	6.40
Distribution per Unit	0.18	0.17	0.52	0.51

Middlefield High Income Trust (“MINT” or the “Trust”) is pleased to announce its unaudited financial results for the three and nine months ended September 30, 2001, the details of which are attached.

**On September 4, 2001, MINT announced an increase in the third quarter distribution from \$0.17 to \$0.18 per unit. MINT’s total return for the twelve months ended September 30, 2001 exceeded 18%, attributable to the strong performance of both real estate investment trusts and oil & gas royalty trusts in 2001. Per unit distributions for the remainder of the year are anticipated to remain at \$0.18 per quarter, yielding in excess of 10% per annum based on a market price of \$6.75 per unit.**

MINT is a closed-end investment trust that invests primarily in high yield equities supplemented by high yield debt. 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 MINT’s annual report to unitholders and other documents filed with regulatory authorities.

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

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

### **September 30, 2001 and 2000 (Unaudited)**

The following discussion and analysis should be read in conjunction with the attached unaudited financial statements. Readers should also refer to Management's Discussion and Analysis in MINT's 2000 annual report.

#### ***Assets***

Total assets were \$49.3 million at the end of the third quarter of 2001 versus \$50.6 million at the end of 2000 due to the slightly lower market values of the investments held in the portfolio. Net assets decreased to \$35.9 million at September 30, 2001 compared to \$37.6 million at December 31, 2000. Borrowings have increased from \$12 million at year end to \$12.4 million at the end of the third quarter of 2001. To obtain the maximum benefit from leverage, MINT borrows to the extent permitted by its investment guidelines. Net asset value per unit increased to \$6.83 at September 30, 2001 from \$6.32 at the end of 2000.

#### ***Income and Expenses***

Total investment income for the third quarter of 2001 was \$1.2 million compared to \$1.3 million for the same period in 2000. This slight decline was due primarily to a reduction in the distributions received from the oil & gas royalty trusts in the third quarter of 2001. Net investment income amounted to \$0.9 million, or \$0.17 per unit, in the third quarter of 2001, compared to \$0.9 million, or \$0.14 per unit, in the third quarter of 2000.

The lower interest rates in the third quarter of 2001 compared to the same period last year, resulted in lower interest and bank charges of \$0.2 million for the quarter ended September 30, 2001. The management fee of \$0.1 million for the third quarter of 2001 remained unchanged from the third quarter of 2000, given that the average assets under administration were similar in both periods. Other operating expenses for the third quarter of 2001 amounted to \$49,000 which reflects a decrease of approximately 16% from the same period in 2000. The reduced costs in 2001 resulted in a ratio of management fees and other operating expenses to average net asset value (MER) of 1.52% compared to 1.78% in 2000.

#### ***Performance and Outlook***

Energy prices have retreated from the high levels witnessed earlier in the year resulting in some price declines in the Trust's energy investments. The weakness in the energy sector was partially offset by the strong performance of the real estate investment trust sector which was fuelled by declining interest rates. In the aftermath of the tragic events of September 11, 2001, central banks have responded by accelerating easing measures and providing sufficient liquidity to reduce the risk of a significant economic downturn. The declining interest rate environment should benefit the Trust, as MINT is attractive to investors seeking stable income. The events in September also prompted many downgrades in the high yield debt market, namely in the airline industry and other cyclical sectors. Since defaults are a lagging indicator of business operations, default rates are expected to peak sometime in 2002, as companies digest the economic slowdown.

For further information, visit our website at [www.middlefield.com](http://www.middlefield.com), or contact the undersigned:

Nancy Tham  
Vice President  
(416) 362-0714, Ext. 277

November 19, 2001



**STATEMENTS OF NET ASSETS**

As at September 30, 2001 and December 31, 2000

September 30  
2001  
UnauditedDecember 31  
2000  
Audited

<b>ASSETS:</b>		
Investments at Market Value	\$ 45,798,394	\$ 48,030,041
Cash	2,653,686	1,727,604
Income Receivable	869,003	891,095
	<b>49,321,083</b>	<b>50,648,740</b>
<b>LIABILITIES:</b>		
Loan Payable	12,402,834	11,966,405
Unitholder Distributions	946,540	1,011,596
Accounts Payable and Accrued Liabilities	82,056	89,391
	<b>13,431,430</b>	<b>13,067,392</b>
Net Assets	<b>\$ 35,889,653</b>	<b>\$ 37,581,348</b>
Units Issued and Outstanding	<b>5,258,556</b>	<b>5,950,562</b>
Net Asset Value per Unit	<b>\$ 6.83</b>	<b>\$ 6.32</b>

**STATEMENTS OF CHANGES IN NET ASSETS**

For the periods ended September 30

Three Months Ended  
September 30Nine Months Ended  
September 30

Unaudited	2001	2000	2001	2000
<b>OPERATIONS:</b>				
Net Increase in Net Assets Resulting from Operations	\$ 726,512	\$ 3,509,114	\$ 5,530,770	\$ 3,417,313
<b>DISTRIBUTIONS TO UNITHOLDERS</b>	<b>(946,540)</b>	<b>(1,065,910)</b>	<b>(2,826,097)</b>	<b>(3,290,008)</b>
<b>UNITHOLDER TRANSACTIONS:</b>				
Repurchase of Units	(894,609)	(585,066)	(4,396,368)	(3,536,295)
Net Increase (Decrease) in Net Assets	<b>(1,114,637)</b>	1,858,138	<b>(1,691,695)</b>	(3,408,990)
<b>NET ASSETS:</b>				
Beginning of Period	<b>37,004,290</b>	38,230,665	<b>37,581,348</b>	43,497,793
End of Period	<b>\$ 35,889,653</b>	\$ 40,088,803	<b>\$ 35,889,653</b>	\$ 40,088,803
Distribution per Unit (Note 2)	<b>\$ 0.18</b>	\$ 0.17	<b>\$ 0.52</b>	\$ 0.51

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

**STATEMENTS OF OPERATIONS**  
**For the periods ended September 30**

Unaudited	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
<b>INVESTMENT INCOME:</b>				
Income from Investment Trust Units	\$ 765,717	\$ 888,315	\$ 2,748,191	\$ 3,140,188
Interest	432,751	378,627	1,162,574	1,123,823
	<b>1,198,468</b>	1,266,942	<b>3,910,765</b>	4,264,011
<b>EXPENSES:</b>				
Interest and Bank Charges	168,752	224,383	556,194	676,304
Management Fee	100,086	106,615	300,908	308,664
Audit and Legal	24,004	21,610	46,382	89,197
Custodian and Trustee Fee	10,635	10,699	32,075	32,842
Marketing	3,670	14,695	19,636	51,465
Transfer Agent Fee	3,210	3,210	9,630	9,630
Network Fee	2,961	3,932	9,176	10,733
Other	4,027	3,697	13,535	14,597
	<b>317,345</b>	388,841	<b>987,536</b>	1,193,432
Net Investment Income	<b>881,123</b>	878,101	<b>2,923,229</b>	3,070,579
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:</b>				
Net Realized Gain (Loss) from				
Investment Transactions	378,663	(5,418,643)	(397,240)	(16,740,821)
Change in Net Unrealized Appreciation (Depreciation) of Investments	(533,274)	8,049,656	3,004,781	17,087,555
Net Gain (Loss) on Investments	<b>(154,611)</b>	2,631,013	<b>2,607,541</b>	346,734
Net Increase in Net Assets Resulting from Operations	\$ 726,512	\$ 3,509,114	\$ 5,530,770	\$ 3,417,313
Net Investment Income per Unit	\$ 0.17	\$ 0.14	\$ 0.53	\$ 0.47

**STATEMENTS OF NET REALIZED GAIN (LOSS) FROM INVESTMENT TRANSACTIONS**  
**For the periods ended September 30**

Unaudited	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000	2001	2000
Proceeds from Sale of Investments	\$ 7,812,459	\$ 12,527,251	\$ 21,955,072	\$ 18,549,595
Less: Cost of Investments Sold:				
Owned at Beginning of Period	52,099,362	65,396,211	55,084,932	79,765,624
Purchased During Period	5,182,938	11,998,877	17,115,884	14,973,986
Owned at End of Period	(49,848,504)	(59,449,194)	(49,848,504)	(59,449,194)
	<b>7,433,796</b>	17,945,894	<b>22,352,312</b>	35,290,416
Net Realized Gain (Loss) from Investment Transactions	\$ 378,663	\$ (5,418,643)	\$ (397,240)	\$ (16,740,821)

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

**STATEMENT OF INVESTMENT PORTFOLIO**

As at September 30, 2001

Unaudited

Description	Business	% Weight
<b>HIGH YIELD EQUITY:</b>		
H&R Real Estate Investment Trust	Office/Industrial Buildings	7.2%
RioCan Real Estate Investment Trust	Retail/Office/Industrial Buildings	6.5%
Atlas Cold Storage Income Trust	Public Refrigeration Warehousing	5.7%
TransCanada Pipelines Limited	Oil Pipeline	4.4%
Equity Residential Properties Trust	Retail/Office/Industrial Buildings	4.0%
Canadian Real Estate Investment Trust	Retail/Office/Industrial Buildings	3.8%
Morguard Real Estate Investment Trust	Retail/Office/Industrial Buildings	3.6%
Summit Real Estate Investment Trust	Retail/Office/Industrial Buildings	3.5%
Superior Propane Income Fund	Propane Distribution	3.4%
Koch Pipelines Canada, L.P.	Oil Pipeline	2.8%
Canadian Oil Sands Trust	Oil and Gas	2.4%
Northland Power Income Fund	Electricity Generation	2.3%
Residential Equities Real Estate Investment Trust	Retail/Office/Industrial Buildings	2.3%
Equity Office Properties Trust	Retail/Office/Industrial Buildings	2.2%
Pembina Pipeline Income Fund	Oil Pipeline	2.2%
Canadian Apartment Properties Real Estate Investment Trust	Retail/Office/Industrial Buildings	2.2%
Legacy Hotels Real Estate Investment Trust	Hotel	1.9%
KMS Power Income Fund	Electricity Generation	1.5%
Fort Chicago Energy Partners L.P.	Oil Pipeline	1.5%
ARC Energy Trust	Oil and Gas	0.9%
NAL Oil & Gas Trust	Oil and Gas	0.7%
		<b>65.0%</b>
<b>HIGH YIELD DEBT:</b>		
Millar Western Forest Products Ltd. 9.875% due May 15, 2008	Forest Products	5.4%
Finlay Enterprises, Inc. 9% due May 1, 2008	Jewelry Retail	4.6%
Alberta Energy Company Ltd. 8.5% due December 20, 2040	Oil and Gas	4.6%
Government of Canada 5.5% due June 1, 2010	Government	4.4%
Intrawest Corporation 10.5% due February 1, 2010	Real Estate/Hospitality	3.4%
Derlan Industries Limited 10% due January 15, 2007	Aerospace Manufacturing	2.6%
General Motors Acceptance Corp. 6.1% due June 8, 2005	Transportation	2.2%
Scott Paper Limited 10% due June 6, 2007	Paper Products	1.9%
Anchor Lamina Inc. 9.875% due February 1, 2008	Tool and Die Manufacturing	1.8%
Air Canada Inc. 9% due June 1, 2006	Transportation	1.3%
Province of Ontario 6.1% due December 2, 2011	Government	1.1%
Tembec Inc. 8.3% due January 30, 2003	Forest Products	1.1%
Greenstone Resources Ltd. 9% due February 28, 2002	Gold Mining	0.6%
		<b>35.0%</b>
Total Investment Portfolio		<b>100.0%</b>

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

## NOTES TO FINANCIAL STATEMENTS September 30, 2001 and 2000 (Unaudited)

### 1. Significant Accounting Policies

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They follow the same accounting policies and methods used in the most recent annual financial statements of the Trust. The specific accounting principles used are described on pages 36 through 39 of the Middlefield Managed Funds 2000 annual report, and should be read in conjunction with these interim financial statements.

### 2. Distributions

The Trust paid a distribution of \$0.18 per unit on October 25, 2001 to all unitholders of record on September 28, 2001. Distributions of the Trust, at the discretion of the unitholder, are reinvested in additional units of the Trust, under the Distribution Reinvestment Plan (the "Plan") without sales charge. During the nine months ended September 30, 2001, 9,093 units (2000 – 12,546) were purchased under the Plan.

## TRUST 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 four asset classes: income funds, high income debt, real estate investment trusts and royalty trusts. Unitholders can acquire additional units by participating in the Distribution Reinvestment Plan. The Plan enables unitholders to reinvest their quarterly distributions in additional units of MINT thereby achieving the benefit of compounding returns. MINT is fully RRSP eligible. MINT trades on the Toronto Stock Exchange under the symbol "MID.UN".*

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J. Dennis Dunlop, Senior Vice President  
W. Garth Jestley, President and Director  
James S. Parsons, Director  
Sylvia V. Stinson, Executive Vice President and Director  
Anthony P. Traub, Secretary-Treasurer and Director  
Angela V. Wannappa, Vice President

### Auditor

Arthur Andersen LLP

### Bank

The Bank of Nova Scotia

### Legal Counsel

Davies Ward Phillips & Vineberg LLP