



## THIRD QUARTER REPORT 2005

For the period ended September 30, 2005

*Press Release*

### **MINT announces Third Quarter Results**

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

In the third quarter of 2005, MINT paid distributions of \$0.30 per unit to unitholders representing a significant increase over distributions of \$0.21 per unit paid in the same period in 2004. The increase reflects in part the benefits of the merger with SAGE Income Fund which took place on April 18, 2005. MINT generated a total return of 48.1% for the one year period ended September 30, 2005. The Fund's net asset value per unit increased by 36.3% year-over-year to \$14.34 at September 30, 2005. On an annualized basis, the current distribution rate of \$1.20 per unit represents a cash-on-cash yield of approximately 9.2% based on a market price of \$13.00

As at September 30, 2005, the asset class weightings for MINT's portfolio were:

<b>Asset Class</b>	<b>Portfolio Weighting</b>
Business Trusts	33%
Oil and Gas Royalty Trusts	29%
Real Estate Investment Trusts	22%
Power and Pipeline Trusts	6%
Cash	10%

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 144 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).*

November 28, 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**

### **SEPTEMBER 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 third quarter, MINT initiated a position in Peak Energy Services Trust. Peak is a diversified energy services company providing oil field equipment and related services to the energy industry in western Canada and the U.S. During the quarter, Peak completed two acquisitions and increased its monthly distribution by more than 6%. During the third quarter, MINT took profits on Bell Nordiq Income Fund as its unit price appreciated on speculation of an imminent acquisition of certain assets from BCE. BCE is considering surfacing value through the sale of up to a million rural access lines which would significantly increase Bell Nordiq's size beyond its current portfolio of just over 250,000 access lines in Ontario and Québec.

During the quarter, crude oil prices continued to rise due to a lack of spare productive and refining capacity and continued global demand growth. Surging demand from power generators followed by a supply shock caused by Hurricanes Katrina and Rita also produced record high natural gas prices. During the quarter, MINT added to its position in Bonavista Energy Trust. From its inception as a royalty trust in July 2003, Bonavista has delivered exceptional returns to its investors and has significantly outperformed the S&P/TSX Energy Trust Index. Bonavista has one of the lowest operating cost structures and highest cash flow netbacks in the conventional oil and gas sector. Bonavista also maintains a conservative payout ratio which provides the trust with the necessary resources to develop its assets efficiently and sustain production. In addition, employees and directors own approximately 18% of the trust, aligning their interests with unitholders.

Canadian REIT prices continued to be supported by attractive real estate valuations relative to other global benchmarks and low interest rates. During the second quarter, MINT added to its position in O&Y REIT. O&Y REIT subsequently entered into an agreement with a consortium led by Brookfield Properties Corporation to acquire the trust at a price of \$16.25 per trust unit resulting in a positive return for the Fund. MINT also added to its position in Chartwell Seniors Housing REIT which has been an aggressive acquirer of upscale retirement homes in Canada and the United States.

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 third quarter of 2005, MINT declared distributions totaling \$0.30 per unit. This represents an increase of \$0.09 per unit or 43% over the \$0.21 per unit distribution paid to unitholders in the third quarter of 2004.

#### **FINANCIAL PERFORMANCE**

The net asset value per unit increased by 12.8% during the quarter from \$12.71 at June 30, 2005 to \$14.34 at September 30, 2005 and together with distributions paid resulted in a 15.4% total return. Net investment income was \$0.29 per unit in the third quarter of 2005 compared to \$0.20 per unit during the third 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 1.61% for the three months ended September 30, 2005, compared to 1.50% in the third quarter of 2004 due to service fees being paid to investment dealers commencing in 2005.

#### **OUTLOOK**

In September, the Federal Government released its long-awaited consultation paper with respect to the taxation of income trusts following which it suspended advanced tax rulings. As a result, the trust sector sold off as buyers required a discount to compensate for the risk of an adverse change in the tax treatment of trusts. On November 23, 2005, with a January election becoming increasingly likely, the Federal Government announced that they would be reducing personal income taxes on dividends as the solution to address the imbalance between the tax treatment of larger corporations and income trusts. In addition, the government announced that advance tax rulings would resume on flow through entity structures.

This decision, together with Standard & Poor's recent announcement to continue with its original schedule for inclusion of income trusts into the S&P/TSX Composite Index, is very positive. We expect institutional and international demand to return to the income trust market in the coming months as well as renewed confidence among individual investors who have come to rely on trusts as a viable source of investment income. In addition to our expectation of positive funds flow, we believe that income trust valuations will be further supported by the current economic environment of modest economic growth, relatively low interest rates and strong energy prices.

Notwithstanding the positive outcome to the government's review, being selective, especially within the business trust sector, remains critical. Chasing yield, especially among many of the newer entrants to this market, can result in significant volatility as a number of the more speculative business trusts will continue to be challenged by the combination of higher energy prices and a stronger Canadian dollar. In order to mitigate these risks, we continue to focus on the better quality income trusts that have successfully reduced their payout ratios and operate with modest levels of third party debt.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
<b>DATA PER UNIT</b>				
Net Asset Value at Beginning of Period	\$ 12.71	\$ 9.66	\$ 11.86	\$ 9.79
<b>INCOME FROM INVESTMENT OPERATIONS:</b>				
Net Investment Income	0.29	0.20	0.84	0.63
Net Realized and Unrealized Gain on Investments	1.64	0.87	2.45	0.71
	<b>1.93</b>	1.07	<b>3.29</b>	1.34
<b>DISTRIBUTIONS TO UNITHOLDERS</b>				
	<b>0.30</b>	0.21	<b>0.81</b>	0.61
Net Asset Value at End of Period	\$ 14.34	\$ 10.52	\$ 14.34	\$ 10.52
Market Price at End of Period	\$ 13.50	\$ 10.25	\$ 13.50	\$ 10.25
<b>RATIOS/SUPPLEMENTAL DATA</b>				
Total Assets at End of Period	\$ 85,792,273	\$ 62,454,542	\$ 85,792,273	\$ 62,454,542
Net Assets at End of Period	\$ 61,188,222	\$ 47,100,299	\$ 61,188,222	\$ 47,100,299
Weighted Average Net Assets	\$ 59,589,417	\$ 45,056,464	\$ 52,551,034	\$ 45,367,695
Market Capitalization at End of Period	\$ 57,584,237	\$ 45,901,120	\$ 57,584,237	\$ 45,901,120
Management Expense Ratio <sup>1</sup>	1.61%	1.50%	1.64%	2.12%
Total Rate of Return for the Period <sup>2</sup>	15.35%	11.18%	28.95%	14.29%

<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.

**STATEMENTS OF NET ASSETS  
AS AT SEPTEMBER 30, 2005 AND DECEMBER 31, 2004**

Unaudited	2005	2004
<b>ASSETS:</b>		
Investments at Fair Value	\$ 76,868,245	\$ 67,162,950
Cash	8,346,725	1,298,073
Income and Interest Receivable	541,679	437,651
Accounts Receivable	35,624	7,954
	<b>85,792,273</b>	68,906,628
<b>LIABILITIES:</b>		
Loan Payable	23,923,326	15,957,337
Unitholder Distributions Payable	427,230	310,026
Accounts Payable and Accrued Liabilities	253,495	123,904
	<b>24,604,051</b>	16,391,267
Net Assets	\$ 61,188,222	\$ 52,515,361
Units Issued and Outstanding	4,265,499	4,428,449
Net Asset Value per Unit	\$ 14.34	\$ 11.86

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	
	2005	2004	2005	2004
<b>INVESTMENT INCOME:</b>				
Income from Investments	\$ 1,656,366	\$ 1,294,964	\$ 4,517,974	\$ 3,945,427
Interest	27,340	4,357	54,873	14,787
	<b>1,683,706</b>	1,299,321	<b>4,572,847</b>	3,960,214
<b>EXPENSES:</b>				
Interest and Bank Charges	181,647	90,693	471,350	295,208
Management Fee	163,295	122,117	414,213	365,512
Service Fee to Investment Dealers	46,135	34,814	114,575	34,814
General and Administrative	32,950	129,668	115,553	384,851
	<b>424,027</b>	377,292	<b>1,115,691</b>	1,080,385
Net Investment Income	<b>1,259,679</b>	922,029	<b>3,457,156</b>	2,879,829
<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS:</b>				
Net Realized Gain (Loss) from Investment Transactions	5,361,830	(458,708)	13,650,609	1,330,200
Change in Net Unrealized Gain (Loss) on Investments	1,732,281	4,321,528	(2,221,045)	1,754,074
Net Gain on Investments	<b>7,094,111</b>	3,862,820	<b>11,429,564</b>	3,084,274
Net Increase in Net Assets Resulting from Operations	\$ 8,353,790	\$ 4,784,849	\$ 14,886,720	\$ 5,964,103
Earnings per Unit	\$ 1.98	\$ 1.05	\$ 3.61	\$ 1.31

**STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE PERIODS ENDED  
SEPTEMBER 30**

Unaudited	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Net Assets at Beginning of Period	\$ 55,909,631	\$ 43,663,662	\$ 52,515,361	\$ 45,504,919
<b>OPERATIONS:</b>				
Net Increase in Net Assets Resulting from Operations	8,353,790	4,784,849	14,886,720	5,964,103
<b>DISTRIBUTIONS TO UNITHOLDERS</b>	<b>(1,299,060)</b>	(942,660)	<b>(3,357,913)</b>	(2,775,056)
<b>UNITHOLDER TRANSACTIONS:</b>				
Issue (Purchase) of Trust Units, Net	(1,776,139)	(405,552)	(2,855,946)	(1,593,667)
Net Increase in Net Assets	<b>5,278,591</b>	3,436,637	<b>8,672,861</b>	1,595,380
Net Assets at End of Period	\$ 61,188,222	\$ 47,100,299	\$ 61,188,222	\$ 47,100,299
Distributions per Unit	\$ 0.30	\$ 0.21	\$ 0.81	\$ 0.61

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

## STATEMENT OF INVESTMENT PORTFOLIO

AS AT SEPTEMBER 30, 2005

Unaudited

Description	No. of Securities	Cost	Fair Value
AG Growth Income Fund	60,000	\$ 821,837	\$ 942,000
BFI Canada Income Fund	65,000	1,078,354	1,883,700
Cargojet Income Fund	35,000	354,693	320,250
CCS Income Trust	40,000	618,500	1,239,200
Cineplex Galaxy Income Fund	100,000	1,610,000	1,539,000
Connors Bros. Income Fund	85,000	1,473,842	1,227,400
Davis + Henderson Income Fund	60,000	847,324	1,271,400
Granby Industries Income Fund	50,000	464,000	442,500
Great Lakes Carbon Income Fund	10,000	125,000	107,500
Hardwoods Distribution Income Fund	75,000	875,397	682,500
KCP Income Fund	110,000	1,132,176	1,149,500
Livingston International Income Fund	50,000	714,125	1,119,500
Medical Facilities Corporation	80,000	1,059,887	959,200
Morneau Sobeco Income Fund	32,300	323,000	343,995
Newalta Income Fund	50,000	643,750	1,137,500
Noranda Income Fund	130,000	1,355,563	1,584,700
Parkland Income Fund	75,000	1,498,708	1,432,500
PBB Global Logistics Income Fund	85,000	1,123,120	1,343,850
Peak Energy Services Trust	100,000	1,155,870	1,189,000
Precision Drilling Corporation	20,000	1,139,508	1,144,200
Spinrite Income Fund	100,000	1,106,727	1,265,000
Student Transportation of America Ltd.	75,000	832,650	937,500
Superior Plus Income Fund	45,000	913,830	1,182,600
The Consumers' Waterheater Income Fund	120,000	1,362,876	1,932,000
UE Waterheater Income Fund	105,000	1,210,758	1,375,500
Westshore Terminals Income Fund	65,000	472,117	890,500
<b>BUSINESS TRUSTS: 33.6%</b>		<b>24,313,612</b>	<b>28,642,495</b>
Acclaim Energy Trust	100,000	1,360,629	2,050,000
ARC Energy Trust	65,000	958,378	1,566,500
Bonavista Energy Trust	45,000	972,144	1,674,000
Canadian Oil Sands Trust	15,000	1,771,050	1,926,750
Crescent Point Energy Trust	55,000	955,384	1,193,500
Enerplus Resources Fund	35,000	1,220,763	1,921,850
Esprit Energy Trust	100,000	1,147,210	1,449,000
Fairborne Energy Trust	100,000	1,100,460	1,849,000
NAL Oil & Gas Trust	100,000	1,062,406	1,595,000
Penn West Energy Trust	50,000	1,439,740	1,825,500
Peyto Energy Trust	40,000	1,220,950	1,218,000
Progress Energy Trust	100,000	1,218,000	1,761,000
Vault Energy Trust	90,000	901,569	1,235,700
Vermilion Energy Trust	55,000	823,242	1,600,500
Viking Energy Royalty Trust	175,000	1,205,956	1,713,250
<b>OIL AND GAS ROYALTY TRUSTS: 28.9%</b>		<b>17,357,881</b>	<b>24,579,550</b>
Allied Properties Real Estate Investment Trust	45,000	663,475	803,250
Calloway Real Estate Investment Trust	75,000	1,056,079	1,923,000
Canadian Real Estate Investment Trust	75,000	1,052,500	1,635,000
Chartwell Seniors Housing Real Estate Investment Trust	80,900	1,229,680	1,213,500
H&R Real Estate Investment Trust	80,000	1,135,539	1,660,800
Huntington Real Estate Investment Trust	300,000	825,000	909,000
IPC US Income Commercial Real Estate Investment Trust	125,000	1,267,879	1,425,000
Northern Property Real Estate Investment Trust	50,000	894,500	905,000
O&Y Real Estate Investment Trust	120,000	1,743,995	1,938,000
Primaris Retail Real Estate Investment Trust	105,000	1,165,415	1,685,250
Retirement Residences Real Estate Investment Trust	130,000	1,354,363	1,144,000
RioCan Real Estate Investment Trust	75,000	1,012,037	1,688,250
Summit Real Estate Investment Trust	80,000	1,196,680	1,824,000
<b>REAL ESTATE INVESTMENT TRUSTS: 22.0%</b>		<b>14,597,142</b>	<b>18,754,050</b>
AltaGas Income Trust	50,000	1,058,654	1,395,000
Calpine Power Income Fund	85,000	855,934	845,750
Keyera Facilities Income Fund	50,000	588,022	943,000
Macquarie Power Income Fund	85,000	895,305	938,400
Pembina Pipeline Income Fund	50,000	574,944	770,000
<b>POWER AND PIPELINE TRUSTS: 5.7%</b>		<b>3,972,859</b>	<b>4,892,150</b>
<b>CASH: 9.8%</b>		<b>8,346,725</b>	<b>8,346,725</b>
Total Investment Portfolio, including Cash		\$ 68,588,219	\$ 85,214,970

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 PERIODS ENDED  
SEPTEMBER 30**

Unaudited	Three Months Ended September 30		Nine Months Ended September 30	
	2005	2004	2005	2004
Proceeds from Sale of Investments	\$ 27,920,222	\$ 4,943,502	\$ 72,634,259	\$ 17,678,861
Less: Cost of Investments Sold:				
Owned at Beginning of Period	62,735,031	47,205,620	48,315,155	46,979,186
Purchased During Period	20,064,855	4,410,122	70,909,989	15,583,007
Owned at End of Period	(60,241,494)	(46,213,532)	(60,241,494)	(46,213,532)
	<b>22,558,392</b>	<b>5,402,210</b>	<b>58,983,650</b>	<b>16,348,661</b>
Net Realized Gain (Loss) from Investment Transactions	\$ 5,361,830	\$ (458,708)	\$ 13,650,609	\$ 1,330,200

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 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 nine months ended September 30, 2005, distributions amounted to \$0.81 per unit (2004 - \$0.61). 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 nine months ended September 30, 2005, 9,372 units (2004 – 8,999) 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 reinvesting distributions. 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 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  
Sylvia V. Stinson, Executive Vice President and Director  
Nancy Tham, Vice President  
Angela V. Wannappa, Senior Vice President and Secretary-Treasurer

## **THE ADVISOR**

### **Middlefield Capital Corporation**

Darren N. Cabral, Executive Director, Research  
Richard L. Faiella, Managing Director, Corporate Finance  
W. Garth Jestley, President and C.E.O.  
Robert F. Lauzon, Executive Director, Trading  
Dean C. Orrico, Managing Director  
Scott A. Roberts, Director, Trading

## **HEAD OFFICE**

Middlefield Group  
One First Canadian Place  
58th Floor  
P.O. Box 192  
Toronto, Canada M5X 1A6

Telephone (416) 362-0714  
Fax (416) 362-7925

Email [invest@middlefield.com](mailto:invest@middlefield.com)  
Web Site [www.middlefield.com](http://www.middlefield.com)

