

Crown Hill Capital Corporation

ENERGY INCOME FUND

(FORMERLY SUSTAINABLE PRODUCTION ENERGY TRUST)

SEMI-ANNUAL REPORT

(UNAUDITED)

JUNE 30, 2011

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ENERGY INCOME FUND

The units (the "Units") of Energy Income Fund (the "Fund" or "Energy" and formerly Sustainable Production Energy Trust) are listed on The Toronto Stock Exchange under the symbol ENI.UN. Crown Hill Capital Corporation ("Crown Hill") is the trustee (the "Trustee") and manager (the "Manager") of the Fund.

INVESTMENT HIGHLIGHTS:

For the periods ended	**June 30, 2011**	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Net Assets per Unit [(1)]	$ **6.98**	$ 6.80	$ 5.85	$ 4.06	$ 5.12	$ 6.43
Market price per Unit [(1)]	**$ 6.00**	$ 5.66	$ 5.38	$ 3.65	$ 4.80	$ 6.00
Trading premium (discount)	**(14.4)%**	(16.8)%	(8.5)%	(10.0)%	(6.3)%	(6.7)%
Cash distributions per Unit	$ **0.18**	$ 0.36	$ 0.45	$ 0.90	$ 0.90	$ 0.90
Trailing yield [(2)]	**6.0%**	6.4%	8.4%	24.7%	18.8%	15.0%
Market capitalization ($ millions)	$ **39.47**	$ 39.82	$ 24.30	$ 19.40	$ 34.80	$ 49.40
Net Assets ($ millions)	$ **45.90**	$ 47.86	$ 26.43	$ 21.60	$ 37.10	$ 53.00

(1) Net assets and market price per Unit are based on period end values.

(2) For the interim period, trailing yield is based on the last 12 months cash distributions declared expressed as a percentage of market price.

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

(August 26, 2011)

This interim report for the period ended June 30, 2011 includes both the interim management report of fund performance, containing financial highlights, and the unaudited interim financial statements of Energy Income Fund.

Holders of Units (the "Unitholders") may contact us by calling toll-free 1-877-261-9674, by writing to us at Crown Hill Capital Corporation, 1300 Yonge Street, Suite 300, Toronto, Ontario, M4T 1X3 or by visiting our website at www.crownhill.ca or SEDAR at www.sedar.com to obtain a copy of the Fund's proxy voting disclosure record, or quarterly portfolio disclosure. To obtain a copy of the Fund's proxy voting policies and procedures, Unitholders may contact us directly.

INVESTMENT OBJECTIVES AND STRATEGIES

Energy Income Fund's investment objectives are to (i) provide Unitholders with monthly cash distributions; and (ii) achieve a total return on the Portfolio that is greater than the total return provided by the Benchmark Index, as selected by the Manager from time to time. For the period ended June 30, 2011 and subsequent periods, the Benchmark Index used has been changed to the S&P/TSX Capped Energy Index. Prior to 2011, the benchmark Index was the S&P/TSX Capped Energy Trust Index.

RISK

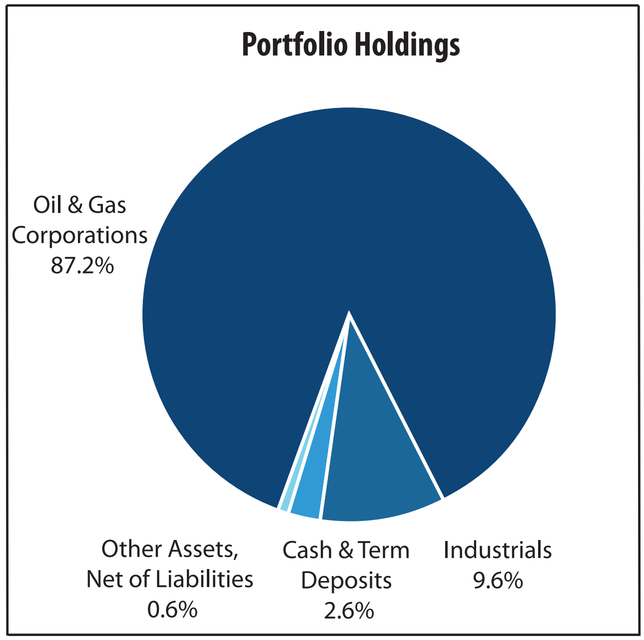
There are a number of risks associated with an investment in the Fund. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the securities held within the portfolio which have a direct effect on the net asset value of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the securities held in the Fund's portfolio. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates, interest rates and general business operation risks, any of which may affect the issuers' income and as a result reduce distributions to its Unitholders and the value of its Units. Diversification and active management by the Fund's investment manager of the securities held in the portfolio may reduce these risks.

INCOME TRUST TAX

Bill C-52, an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, was given Royal Assent on June 22, 2007, thereby passing into law the Government's imposition of a tax on income trusts starting in 2011. The tax on income trusts did not directly affect Energy Income Fund, however, the tax did affect some of the holdings within its portfolio.

RESULTS OF OPERATIONS

While the global economic recovery is ongoing, it continues to be anemic in the developed world. Unlike past recoveries, the United States is not leading the way out, rather the recovery continues to be driven by growth in Asia and Latin America.



In the next 3-4 months, we expect volatility in the price of crude oil arising from concerns of a slowing global economy. This bias in crude oil prices will likely be to the downside from current levels. However when we look further out into 2012, our take on the oil market is very bullish. Global oil supply and productive capacity is failing to keep pace with the growth in demand from emerging markets. Global and state owned oil companies are struggling to replace production and offset natural production declines. As a swing factor in global oil markets, OPEC is now limited in terms of what incremental supplies it can bring to the market when the loss of Libyan production is factrored in. Any capacity adds from OPEC depend almost exclusively on Iraq. We remain skeptical given ongoing insurgency that Iraq will live up to its potential anytime soon. In 2012, we expect to see a decline in global oil inventories relative to demand. As a result, we believe oil prices will firm and head to higher levels. We have endeavoured to maximize the fund's exposure to oil and away from natural gas. We now hold several oil and gas service companies that we believe stand to benefit from the increase in activity.

Energy Income Fund's net assets decreased to $45.89 million at June 30, 2011 from $47.86 million at December 31, 2010. On a per Unit basis, the Fund's net assets increased to $6.98 per Unit at June 30, 2011 from $6.80 per Unit at December 31, 2010. Energy's net asset value increase, along with its monthly cash distributions, resulted in a 5.12% total return on a net assets basis over the period.

The Fund's market price increased over the first half of 2011, from $5.66 per Unit at December 31, 2010 to $6.00 per Unit at June 30, 2011. Energy's market price increase, along with its monthly cash distributions, resulted in a 10.16% total return over the period.

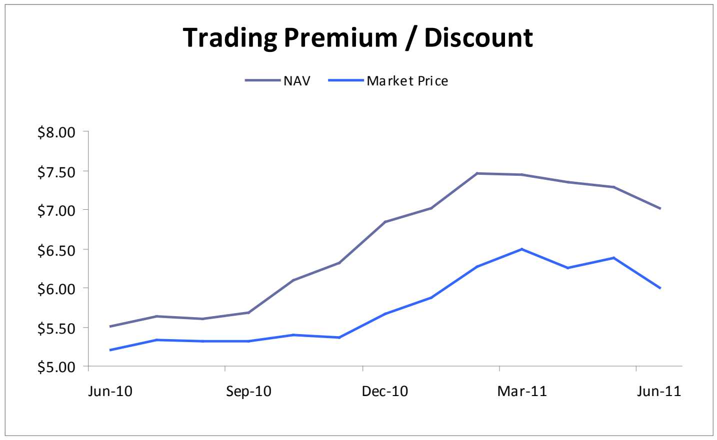
Total revenue for the first half of 2011 was $1.15 million compared to $0.56 million for the same period in 2010. This increase in revenue was mostly due to the increase in portfolio holdings from the merger and the corresponding increase in distribution income received from this larger portfolio. Total expenses for the first six months of 2011 were $0.69 million compared to $0.34 million for the same period in 2010, again as a result of a larger portfolio and Net Asset Value. Management fees, which are calculated in reference to the Fund's net asset value, increased to $0.19 million for the first six months of 2011 compared to $0.07 million for the same period in 2010. Investment management fees, which are calculated in reference to the Fund's net asset value, increased to $0.11 million for the first half of 2011 compared to $0.04 million for the same period in 2010. Administrative fees increased to $0.10 million for the first half of 2011 compared to $0.03 million for the same period in 2010. Trailer Fees were eliminated October 4, 2011 ($0.04 million in 2010). The Fund did not utilize leverage throughout the period and as a result, the Fund did not incur any loan interest in 2011 or 2010. The credit facility was fully repaid and cancelled in July 2009.

In the first half of 2011, the Fund generated net investment income of $0.46 million or $0.07 per Unit compared to $0.22 million or $0.09 per Unit for the same period in 2010, as a result of income trusts converting to corporations which pay lower distribution income.

The Fund realized gains of $1.82 million on the sale of investments in the first half of 2011 and experienced unrealized losses of $0.22 million. In the first half of 2010, the Fund realized gains of $0.78 million with unrealized losses of $1.46 million.

During the first half of 2011, Energy paid total cash distributions of $0.18 per Unit based on monthly distributions of $0.03 per Unit. In the prior year, the Fund paid total cash distributions of $0.18 per Unit based on monthly distributions of $0.03 per Unit.

TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE



For the first half of 2011, the Fund's market price traded at an average discount to its net asset value per Unit of 14.6%, compared to an average discount of 6.7% for the same period in 2010. With this discount, the Fund repurchased 469,500 units for cancellation under its Normal Course Issuer Bid ("NCIB") program at an average cost of $6.12 per Unit. The NCIB program, which commenced on October 4, 2010, replaces the mandatory repurchase program. It also provides liquidity and market price support for Unitholders and permits the Fund to repurchase units in the open market for cancellation. Previously under the mandatory repurchase program, the Fund was obligated to repurchase units offered for sale at a discount to net asset value of greater than 5%, subject to a maximum of 1.25% per quarter of the Units outstanding. For the six-month period ended June 30, 2010, the Fund repurchased 76,900 units for cancellation at an average cost of $5.67 per Unit.

RECENT DEVELOPMENTS

Regulatory Issues

On March 4, 2011, preliminary prospectuses for offerings of warrants for both Citadel Income Fund and Energy Income Fund (the "Funds") were filed by the Manager. Staff of the Ontario Securities Commission ("Staff") recommended against receipting the prospectuses due to the widely publicized acquisition (the "Acquisition") by Crown Hill Fund of the administration contracts of the Citadel Group of Funds in June 2009 and the subsequent merger of some of those funds with the Crown Hill Fund, forming the Citadel Income Fund. At the time, Staff expressed their concerns with the Acquisition and the disclosure made in the June 3, 2009 information circular. After the Manager made changes to the proposed reorganization to address Staff's concerns, a new information circular was issued, was approved by unitholders and the reorganization was partially completed to create the Citadel Income Fund.

Despite the Manager's response, Staff continued to raise the same concerns with the Acquisition nearly two years later, and used those same arguments to recommend that the Director of Investment Funds deny the receipting of the prospectus in relation to the warrant offering.

On April 14, 2011, the Manager and the Funds availed themselves of the Opportunity to be Heard (the "OTBH") before the Director of Investment Funds. The OTBH meeting was adjourned and reconvened on May 11, 2011 with another (acting) Director. In the meantime, on May 6, 2011, Staff served the Manager and its President with an enforcement notice relating to the Acquisition. On May 11, 2011, the second (acting) Director upheld Staff's recommendation.

On May 31, 2011, the Manager and the Funds sought a hearing and review (the "Hearing and Review") of the Director's decision (pursuant to subsection 8(2) of the Securities Act) before the Ontario Securities Commission (the "Commission"). The application was heard on July 12, 13 and 14, 2011. Three business days prior to the Hearing and Review, July 7, 2011, Staff issued a Notice of Hearing and Statement of Allegations against the Manager and its President. It is alleged in the Statement of Allegations that the Citadel Acquisition was undertaken primarily in the interests of the Manager rather than the Fund, contrary to s.116 of the Securities Act. This was the same submission made by Staff at the OTBH and then at the Hearing and Review. In addition, Staff allege that the acquisition of the management contracts for the Fairway Diversified Income and Growth Trust and subsequent merger in January 2009 was also primarily in the interests of the Manager. Finally, Staff allege that certain amendments to the Declaration of Trust of MACCs Sustainable Yield Trust (the predecessor Trust to Crown Hill Fund) to increase the management fee, grant broader powers to the Manager and to adopt less restrictive investment requirements, were also undertaken primarily to benefit the Manager.

Immediately following the issuance of the Notice of Hearing, Staff sought to stay the Hearing and Review on the basis that the Commission should await the outcome of the enforcement proceeding commenced on July 7, 2011, as the proceedings largely involved the same issues. The Commission dismissed Staff's motion.

On August 4, 2011, the Commission released its Order, granting the Manager's application on the Hearing and Review and overturning the acting Director's decision to deny the receipting of the preliminary prospectuses. The Commission ruled and found that there were insufficient grounds to justify the acting Director's decision and the Staff's recommendations. The Commission ruled that, contrary to Staff's submission and the Director's decision, it was not apparent that there was sufficient evidence to justify a refusal to issue a receipt for the prospectuses on the grounds that the business of the Funds may not be conducted with integrity.

The Funds intend to file final prospectuses in accordance with the Commission's Order.

On August 8, 2011, the Manager and its President attended before the Commission and requested the earliest available hearing dates to address the allegations made by Staff in the enforcement proceeding. Staff resisted setting hearing dates and the presiding Commissioner ordered that the parties return for a pre-hearing conference on September 21, 2011.

Annual Redemption

Under the Declaration of Trust, the maximum number of units redeemable at any point in time pursuant to the annual redemption privilege for the period of December 1, 2010 to November 30, 2011 is 10% of the public float of the Fund as determined on the first business day of the calendar year January 1, 2011 (the "Maximum Redemption Amount") less the number of units repurchased for cancellation under the NCIB program by the Fund during the preceding twelve-month calendar period ending November 30, 2011. The public float as determined on January 1, 2011 was 7,035,664 units and 10% of the public float was 703,566 units. From December 1, 2011 to June 30, 2011, the Fund had repurchased 505,000 units for cancellation under its NCIB program at an average cost of $6.06 per Unit.

As of June 30, 2011, the maximum number of units redeemable remaining under the annual redemption privilege was 198,566 units. This represents 2% of the public float of the Fund as at January 1, 2011. Once the Maximum Redemption Amount for 2011 is reached, no additional units may be redeemable under the annual redemption privilege in November 2011.

Warrant Offering

The Fund intends to file a final prospectus prior to December 31, 2011 for a warrant offering subject to the Fund obtaining all necessary regulatory and exchange approvals. The exercise of warrants by warrant holders will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, reduce the management expense ratio, and increase the trading liquidity of the Fund's units.

Harmonized Sales Tax Introduction

On July 1, 2011, Harmonized Sales Tax ("HST") was introduced in the province of Ontario. The Fund is subject to the HST in Ontario, increasing its operating costs. The Fund pays an adjusted HST based on the distribution of unitholders and the value of their holdings in the different tax jurisdictions. The Fund will recover $31,890 of HST paid in 2011, receivable for the six-month period ended June 30, 2011. For the year ended December 31, 2010, the Fund had HST receivable of $13,565.

Future Accounting Changes

The Fund is currently required to adopt International Financial Reporting Standards ("IFRS"). On September 7, 2010, the Canadian Accounting Standards Board ("AcSB") approved an optional one year deferral of IFRS adoption for investment companies applying Accounting Guideline AcG-18, Investment Companies, until fiscal years beginning on or after January 1, 2012. On January 10, 2011, the AcSB approved an additional one year extension to the optional one year deferral until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund's financial statements will not be affected by IFRS until January 1, 2013.

RELATED PARTY TRANSACTIONS

The Manager is entitled to receive a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. This amount totalled $189,231 for the period ended June 30, 2011 (of which $28, 162 was payable) compared to $66,417 (of which $10,539 was payable) for the same period in 2010. All other expenses of the Fund are initially paid by the Manager, which is then reimbursed by the Fund in a reasonable amount of time. Administrative costs for the period ended June 30, 2011 totalled $100,957 compared to $34,617 for the same period in 2010. In addition, a part of these administrative costs consisted of a monthly general overhead cost paid to First Paladin Inc., a company related to the Manager, of $10,000 per month in 2011 (2010 - $5,000 per month) to cover related administrative salaries, employee benefits, general overhead, and office supplies.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2011 and the past five years as applicable.

Net Assets per Unit ("NAPU")

For the periods ended	**June 30, 2011**	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
NAPU — beginning of period	**$ 6.80**	$ 5.85	$ 4.06	$ 5.12	$ 6.43	$ 9.64
Increase (decrease) from operations:						
Total revenue	**0.17**	0.38	0.38	0.62	0.68	0.87
Total expenses	**(0.10)**	(0.31)	(0.17)	(0.16)	(0.18)	(0.21)
Realized gains (losses)	**0.27**	0.41	(0.54)	(1.49)	(1.15)	0.80
Unrealized gains (losses)	**(0.03)**	1.55	2.53	0.87	0.27	(2.18)
Total increase (decrease) from operations	**$ 0.31**	$ 2.03	$ 2.20	$ (0.16)	$ (0.38)	$ (2.32)
Distributions:						
Return to Unitholders	**0.18**	1.36	0.45	0.90	0.90	0.90
Total distributions	**0.18**	1.36	0.45	0.90	0.90	0.90
NAPU — end of period	**$ 6.98**	**$ 6.80**	**$ 5.85**	**$ 4.06**	**$ 5.12**	**$ 6.43**

Net assets per Unit ("NAPU") and cash distributions per Unit are based on the actual number of Units outstanding at the time. The NAPU are based on bid prices.

The increase (decrease) from operations is based on the weighted average number of Units outstanding over the period. This schedule is not a reconciliation of NAPU since it does not reflect unitholder transactions as shown on the Statements of Changes in Net Assets and accordingly columns may not add.

Ratios and Supplemental Data

For the periods ended	**June 30, 2011**	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Total Net Asset Value ($ 000's)	**$ 45,899**	$ 47,856	$ 26,413	$ 21,593	$ 37,117	$ 52,951
Number of Units outstanding (000's)	**6,578**	7,036	4,517	5,322	7,252	8,240
Management expense ratio (1)	**2.82%**	4.51%	2.95%	2.51%	2.69%	2.52%
Portfolio turnover ratio (2)	**12.73%**	111.38%	108.51%	53.34%	31.92%	86.89%
Trading expense ratio (3)	**0.08%**	0.61%	0.55%	0.40%	0.38%	0.50%
Closing market price	**$ 6.00**	$ 5.66	$ 5.38	$ 3.65	$ 4.80	$ 6.00

(1) Management expense ratio is based on total expenses (excluding portfolio transaction costs) for the period and is expressed as an annualized percentage of weekly average net assets during the peiod.

(2) Portfolio turnover ratio is based on the lesser of cost of purchases or proceeds of disposition and is expressed as a percentage of the monthly average portfolio value. The portfolio turnover rate indicates how actively the Fund's investment manager manages the portfolio investments. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of weekly average net assets during the period.

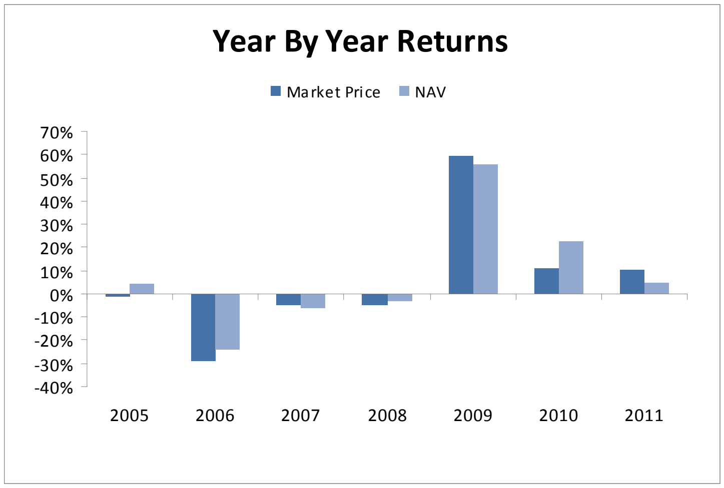
MANAGEMENT FEES

Pursuant to the Amended and Restated Declaration of Trust dated October 4, 2010, in consideration for its services as manager of the Fund, the Manager is entitled to receive a management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly in arrears. The Investment Manager receives an investment management fee payable from the Fund. Galileo Global Equity Advisors Inc. receives a fee of 0.40% per annum of the average net asset value of the Fund plus applicable taxes in exchange for providing investment management services.

PAST PERFORMANCE

Energy's performance numbers represent the compound total returns over the year from inception in October 2005 to June 30, 2011 (except for returns of less than one year which are compound total returns). Total returns are based upon both the Fund's change in market price and net assets per Unit plus the reinvestment of all distributions in additional units of the Fund.

Returns do not take into account sales, redemptions or income taxes payable that would have reduced returns. Past performance of the Fund does not necessarily indicate how it will perform in the future.



(1) For 2011, this represents the year-to-date return for the six-month period ended June 30.

ANNUAL COMPOUND RETURNS

For the period ending June 30, 2011, the returns are compared to the S&P/TSX Capped Energy Index due to the widespread conversion of oil & gas royalty trusts to corporations. The S&P/ TSX Capped Energy Index is a market cap weighted total return index of corporations which are classified in the energy sector of the Global Industry Classification Standards. In 2011, the Fund's market price and net assets outperformed the S&P/TSX Capped Energy Index.

	1 Year	3 Year	5 Year	Since inception
Energy Income Fund (market price)	22.31%	0.77%	2.72%	(0.28)%
Energy Income Fund (net assets)	33.76%	3.87%	3.24%	2.53%
S&P/TSX Capped Energy Index (1)	16.29%	(10.70)%	(2.00)%	0.98%

(1) Prior to 2011, the annual compound returns for the Fund based on market price and net assets per Unit were compared to the S&P/TSX Capped Energy Trust Index and therefore will not match the current comparison of the index's compound returns. Under the Declaration of Trust, the change in the benchmark index used to measure against the return of the portfolio may be selected and changed by the Manager from time to time.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2011

Transactional Net Assets: $45,899,815

The major portfolio categories and top holdings of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at September 30, 2011. Quarterly updates are available at www.crownhill.ca.

Portfolio by Sector	% of Transactional Net Assets
Oil & Gas Corporations	87.2
Industrials	9.6
Cash & Term Deposits	2.6
Other Assets, Net of Liabilities	0.6
Total Transactional Net Assets	100.0 %

TOP HOLDINGS (as a % of Transactional Net Assets)

Baytex Energy Corp. (Formerly Baytex Energy Trust)	9.15%	Phoenix Energy Services Corp. (Formerly Phoenix Technology Income Fund)	4.75%
Bonavista Energy Corp. (Formerly Bonavista Energy Trust)	8.68%	ARC Resources Ltd. (Formerly ARC Energy Trust)	4.35%
Bonterra Oil & Gas Ltd.	8.66%	Badger Daylighting	2.13%
Freehold Royalties Ltd. (Formerly Freehold Royalties Trust)	8.11%	Canadian Energy Services & Technology Corp.	2.03%
Crescent Point Energy Corp.	7.26%	Renegade Petroleum Ltd.	2.00%
Vermilion Energy Inc.	6.65%	Cathedral Energy Services	1.94%
Penn West Petroleum Ltd. (Formerly Penn West Energy Trust)	6.05%	Secure Energy Services Inc.	1.87%
Daylight Energy Ltd.	5.07%	Spartan Oil Corp.	1.66%
NAL Energy Corp. (Formerly NAL Oil & Gas Trust)	5.04%	Ravenwood Energy Corp.	0.02%

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements that involve substantial known and unknown risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations, including the Canadian Income Tax Act, fluctuations in interest rates, commodity prices and foreign exchange and stock market volatility. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurances can be given that any of these events anticipated by the forward-looking statements will transpire or occur, or if any of them do, what benefits, including the amount of proceeds, that will derive therefrom. The forward-looking statements contained in this annual report are expressly qualified by this cautionary statement. Except as may be required by applicable securities law, we undertake no obligation to publicly update or revise any forward-looking statements.

ENERGY INCOME FUND

INTERIM FINANCIAL STATEMENTS

FOR THE PERIODS ENDED

JUNE 30, 2011 AND 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim financial statements of Energy Income Fund (the "Fund") have been prepared by Crown Hill Capital Corporation ("Crown Hill") and approved by the Board of Directors of Crown Hill (the "Board"). Crown Hill is responsible for the information and representations contained in these financial statements and the other sections of the semi-annual report.

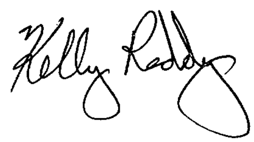
Crown Hill maintains appropriate procedures to ensure that relevant and reliable financial information is produced. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of the independent directors of the Board.

The auditors of the Fund have not reviewed these financial statements.

Crown Hill, the Manager and Trustee of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

Robert Parent
Chief Financial Officer
Crown Hill Capital Corporation



Kelly Reddy
Chief Compliance Officer
Crown Hill Capital Corporation

August 26, 2011

STATEMENTS OF NET ASSETS

As at		June 30, 2011		December 31, 2010
Assets				
Investments at fair value	$	**44,410,530**	$	47,527,323
Cash and cash equivalents		**1,205,383**		497,779
Receivable for investments sold		**681,728**		151,218
Revenue receivable		**197,405**		181,805
		46,495,046		48,358,125
Liabilities				
Payable for investments purchased		**298,300**		90,848
Distributions payable		**197,331**		211,070
Accounts payable and accrued liabilities (Note 4)		**99,600**		200,178
		595,231		502,096
Net Assets Representing Unitholders' Equity	$	**45,899,815**	$	47,856,029
Units Outstanding (Note 3)		**6,577,702**		7,035,664
Net Asset per Unit	$	**6.98**	$	6.80

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

Robert Parent
Chief Financial Officer

Kelly Reddy
Chief Compliance Officer

STATEMENTS OF OPERATIONS

For the periods ended June 30	**2011**	2010
Investment Income		
Distribution income	$ **1,137,035**	$ 550,759
Interest income	**16,462**	12,247
Total Investment Income	**1,153,497**	563,006
Expenses		
Management fees (Note 4)	**189,231**	66,417
Investment management fees (Note 4)	**108,132**	37,952
Administrative expenses (Note 4)	**100,957**	34,617
Legal fees	**69,511**	18,097
Regulatory and listing expenses	**67,350**	25,427
Audit and review fees	**51,375**	29,847
Portfolio transaction costs (Note 7)	**37,134**	38,701
Custody, valuation and transfer fees	**33,548**	34,347
Board and IRC fees	**16,314**	9,826
Unitholder servicing expenses	**7,140**	1,951
Insurance expenses	**5,864**	-
Trustee fees	**2,493**	5,210
Trailer fees (Note 5)	**-**	36,165
Net Expenses	**689,049**	338,557
Net Investment Income (Loss)	**464,448**	224,449
Net Realized Gain (Loss) on Sale of Investments (Note 6)	**1,821,840**	782,296
Change in Unrealized Appreciation (Depreciation) in Value of Investments	**(224,878)**	(1,466,500)
Increase (Decrease) in Net Assets from Operations	$ **2,061,410**	$ (459,755)
Increase (Decrease) in Net Assets from Operations per Unit [1]	$ **0.31**	$ (0.15)

(1) Based on the weighted average number of units outstanding.

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

STATEMENTS OF CHANGES IN NET ASSETS

For the periods ended June 30		2011		2010
Net Assets — Beginning of Period	$	**47,856,029**	$	26,413,516
Operations:				
Net investment income (loss)		**464,448**		224,449
Net realized gain (loss) on sale of investments		**1,821,840**		782,296
Net change in unrealized appreciation (depreciation) in value of investments		**(224,878)**		(1,466,500)
		2,061,410		(459,755)
Capital Unit Transactions: (Note 3)				
Paid for units redeemed - Regular Redemption		**(14,382)**		-
Proceeds from distribution reinvestment plan		**26,935**		6,199
Repurchase of trust units		**-**		(435,672)
Units cancelled under the Normal Course Issuer Bid		**(2,814,312)**		-
Paid for units redeemed - Annual Redemption		**-**		(8,641,330)
		(2,801,759)		(9,070,803)
Distributions to Unitholders:				
Return to Unitholders		**(1,215,865)**		(540,514)
Increase (Decrease) in Net Assets for the Period		**(1,956,214)**		(10,071,072)
Net Assets — End of Period	$	**45,899,815**	$	16,342,444
Distributions per Unit	$	**0.18**	$	0.18

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

STATEMENTS OF CASH FLOWS

For the periods ended June 30		2011		2010
Cash Flows from Operating Activities:				
Net investment income	$	**464,448**	$	224,449
Net change in non-cash working capital		**(452,975)**		(794,064)
Purchase of investments		**(6,270,697)**		(6,099,998)
Proceeds from sale of investments		**10,984,452**		10,586,894
		4,725,228		5,505,409
Cash Flows from Financing Activities:				
Proceeds from distribution reinvestment plan		**26,935**		6,199
Cash distributions to unitholders		**(1,215,865)**		(540,514)
Cash used in the repurchase of trust units		**(14,382)**		(435,672)
Cash used in the purchase of units - NCIB		**(2,814,312)**		(247,015)
		(4,017,624)		(9,611,317)
Net Increase (Decrease) in Cash and Equivalents	$	**707,604**	$	(4,105,908)
Cash and Equivalents, Beginning of Period		**497,779**		4,847,719
Cash and Equivalents, End of Period	$	**1,205,383**	$	741,811

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

STATEMENTS OF INVESTMENTS

	As at June 30, 2011				As at December 31, 2010			
	Number of Units held	**Cost**	**Fair Value**	**% of Net Assets**	Number of Units held	Cost	Fair Value	% of Net Assets
Oil & Gas Corporations (1)								
ARC Resources Ltd. (Formerly ARC Energy Trust)	**80,000**	**1,808,592**	**1,997,600**	**4.35**	80,000	1,721,518	2,032,000	4.25
Badger Daylighting (Formerly Badger Inome Fund)	**50,000**	**983,100**	**975,500**	**2.13**	100,000	1,649,284	1,895,000	3.96
Bankers Petroleum Ltd.	**-**	**-**	**-**	**0.00**	80,000	583,493	608,000	1.27
Baytex Energy Corp. (Formerly Baytex Energy Trust)	**80,000**	**2,575,513**	**4,197,600**	**9.15**	80,000	2,499,811	3,728,800	7.79
Bonavista Energy Corp. (Formerly Bonavista Energy Trust)	**140,000**	**3,576,776**	**3,985,800**	**8.68**	130,000	3,289,307	3,744,000	7.82
Bonterra Oil & Gas Ltd.	**70,000**	**2,694,769**	**3,974,600**	**8.66**	80,000	3,080,655	4,092,000	8.55
Canadian Energy Services & Technology Corp.	**30,000**	**779,624**	**933,300**	**2.03**	25,000	509,252	730,000	1.53
Cathedral Energy Services	**125,000**	**902,171**	**892,500**	**1.94**	100,000	731,871	900,000	1.88
Ceres Capital Corp.	**2,200,000**	**803,000**	**792,000**	**1.73**	- 2,400,000	876,000	804,000	1.68
Crescent Point Energy Corp.	**75,000**	**2,635,094**	**3,331,500**	**7.26**	75,000	2,634,233	3,312,750	6.92
Daylight Energy Ltd.	**250,000**	**2,605,801**	**2,327,500**	**5.07**	250,000	2,626,657	2,575,000	5.38
Freehold Royalties Ltd. (Formerly Freehold Royalties Trust)	**190,000**	**3,445,854**	**3,722,100**	**8.11**	165,000	2,847,829	3,380,850	7.06
NAL Energy Corp. (Formerly NAL Oil & Gas Trust)	**210,000**	**2,744,913**	**2,314,200**	**5.04**	230,559	3,009,572	2,983,433	6.23
Penn West Petroleum Ltd. (Formerly Penn West Energy Trust)	**125,000**	**2,767,368**	**2,777,500**	**6.05**	125,000	2,772,368	2,977,500	6.22
Phoenix Energy Services Corp. (Formerly Phoenix Technology Income Fund)	**200,000**	**1,981,894**	**2,178,000**	**4.75**	235,000	2,326,500	3,106,700	6.49
Ravenwood Energy Corp. (2)	**3,880**	**10,398**	**8,342**	**0.02**	3,880	10,398	8,342	0.02
Renegade Petroleum Ltd.	**300,000**	**984,151**	**918,000**	**2.00**	350,000	1,166,935	1,417,500	2.96
Secure Energy Services Inc.	**90,000**	**397,586**	**859,500**	**1.87**	130,000	518,460	756,600	1.58
Spartan Exploration Ltd.	**-**	**-**	**-**	**0.00**	188,900	859,789	929,388	1.94
Spartan Oil Corp.	**291,675**	**624,596**	**764,188**	**1.66**	-	-	-	0.00
Vermilion Energy Inc.	**60,000**	**2,182,215**	**3,052,200**	**6.65**	67,000	2,437,535	3,094,060	6.47

STATEMENTS OF INVESTMENTS *(Continued)*

		34,503,415	**40,001,930**	**87.15**		34,502,183	41,180,923	86.05
Other								
Black Diamond Group	**140,000**	**2,706,586**	**4,408,600**	**9.60**	122,500	2,237,977	2,631,300	5.50
East Asia Minerals Corp.	-	-	-		100,000	691,372	820,000	1.71
Total Other		**2,706,586**	**4,408,600**	**9.60**		2,929,349	3,451,300	7.21
Total Equities		**37,210,001**	**44,410,530**	**96.75**		39,080,816	46,527,223	97.22
Bonds								
Trinidad Drilling Ltd., Convertible, Callable, 7.75%, July 31, 2012	-	-	-	**0.00**	1,000,000	1,021,100	1,000,100	2.09
Total Bonds		-	-	**0.00**		1,021,100	1,000,100	2.09
Other Assets, Net of Liabilities			**283,902**	**0.62**			328,706	0.69
Cash			**1,205,383**	**2.63**				
			1,489,285	**3.25**				
Total Net Assets			**$45,899,815**	**100.0**			$ 47,856,029	100.0

(1) On January 1, 2011, many oil & gas royalty trusts converted to corporations. All of the oil & gas corporations are common shares unless otherwise noted.

(2) Private company.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011

1. THE FUND

Establishment of the Fund

Energy Income Fund (the “Fund”) is the new name of the combined fund resulting from the merger on October 4, 2010 of Sustainable Production Energy Trust (“Sustainable”), Energy Plus Income Trust (“Energy Plus”) and CGF Resource 2008 Flow Through LP (“CGF LP”). The Fund acquired the investment portfolios and other assets of Energy Plus and CGF LP. Since the merger was an acquisition, it was done on a taxable basis. The Energy Plus unitholders received 1.2818 units of the Fund for each unit of Energy Plus held, while the CGF LP unitholders received 3.0177 units of the Fund for each unit of CGF LP held.

Predecessor Funds

Sustainable was an investment fund established under the laws of Alberta pursuant to a Declaration of Trust dated as of August 29, 2005. Sustainable commenced operations upon completion of its initial public offering on October 17, 2005.

Energy Plus was an investment fund established under the laws of Alberta pursuant to a Declaration of Trust dated as of September 23, 2004. Energy Plus commenced operations upon completion of its initial public offering on November 16, 2004.

CGF LP was a limited partnership established under the laws of Alberta pursuant to a Partnership Agreement dated as of December 19, 2007. CGF LP commenced operations on October 21, 2008, when it completed its initial public offering.

On June 3, 2009 Citadel Fund Administration LP became the administrator of Sustainable, Energy Plus and CGF LP. On November 16, 2009 Citadel Fund Administration LP transferred the Administration Agreement to a wholly-owned subsidiary 2223785 Ontario Inc. (“2223785”). On December 18, 2009, Crown Hill Capital Corporation (“Crown Hill”) acquired Citadel Fund Administration LP and subsequently became the administrative agent of Sustainable, Energy Plus and CGF LP. On August 27, 2009, Valiant Trust Company, a wholly-owned subsidiary of Canadian Western Bank, replaced Computershare Trust Company of Canada as trustee for Sustainable and Energy Plus.

On October 4, 2010, Energy Plus and CGF LP were merged into Sustainable and the fund was renamed Energy Income Fund. The Declaration of Trust was amended, establishing the Fund under the laws of Ontario and appointing Crown Hill as Manager and Trustee.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles (“GAAP”), include estimates and assumptions by management that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting year. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

(a) Cash and equivalents

Cash consists of cash on hand and short-term bankers’ acceptances with maturities of less than 90 days on acquisition.

(b) Valuation of investments

Investments are valued at fair value. Securities which are actively traded are valued at bid price as published on the recognized stock exchange on which the investment is listed or principally traded. Investments not traded on the valuation date are valued at the average of the closing bid and ask prices. Average cost is used to compute realized and unrealized gains or losses on investments. Investment transactions are recorded on the trade date.

(c) Income taxes

The Fund qualified as a mutual fund trust within the meaning of the Income Tax Act (Canada). Provided the Fund distributes to its Unitholders its net income for tax purposes, the Fund will not generally be liable for income tax under Part 1 of the Income Tax Act (Canada). As all taxable income was allocated to Unitholders, no provision for income taxes has been made in these financial statements.

(d) Investment income

Dividend income is recorded on the ex-dividend date, interest is recognized as earned and distribution income is recognized on the ex-distribution date. Capital gains and losses are recognized on the trade date.

(e) Application of CICA Handbook Section 3855

For purposes of preparing its financial statements, the Fund values its investments pursuant to Section 3855 of the Canadian Institute of Chartered Accountants ("CICA") Handbook as outlined above in Note 2(b); the resulting net assets balance is referred to as "Net Assets". For all other purposes, including the processing of unitholder transactions, the value of its investments that trade in an active market continues to be determined using the last traded price; the resulting net assets balance is referred to as "Transactional Net Assets". On each valuation date, the Net Asset Value per Unit is computed by dividing the net assets of the Fund by the total number of its Units outstanding.

As at June 30, 2011		Net assets		Net assets per Unit
Transactional Net Assets	$	46,093,399	$	7.01
Difference as a result of Section 3855		(193,584)		(0.03)
Net Assets	$	45,899,815	$	6.98

As at December 31, 2010		Net assets		Net assets per Unit
Transactional Net Assets	$	47,976,340	$	6.82
Difference as a result of Section 3855		(120,311)		(0.02)
Net Assets	$	47,856,029	$	6.80

f) Securities lending

The Fund may lend portfolio securities in order to earn additional revenue. The minimum allowable collateral is 102% of the current value of the loaned securities as per the requirements of National Instrument 81-102.

The market value of the loaned securities is determined on the close of any valuation date, and any additional required collateral is delivered to the Fund on the next business day. The securities on loan continue to be included on the Statement of Investment Portfolio, and are included in the total value on the Statements of Net Assets in Investments at current value.

As of June 30, 2011, the Fund had an aggregate value of securities on loan of $13.7 million (December 31, 2010 - $14.8 million) and corresponding aggregate value of collateral for loan of $14.5 million (December 31, 2010 - $15.5 million).

(g) Future accounting changes

The Fund is currently required to adopt International Financial Reporting Standards ("IFRS"). On September 7, 2010, the Canadian Accounting Standards Board ("AcSB") approved an optional one year deferral of IFRS adoption for investment companies applying Accounting Guideline AcG-18, Investment Companies, until fiscal years beginning on or after January 1, 2012. On January 10, 2011, the AcSB approved an additional one year extension to the optional one year deferral until fiscal years beginning on or after January 1, 2013. Accordingly, the Fund's financial statements will not be affected by IFRS until January 1, 2013.

3. UNITHOLDERS' CONTRIBUTION

Authorized

The authorized capital of the Fund consists of an unlimited number of trust units which are transferable redeemable units of beneficial interest.

	June 30, 2011		December 31, 2010	
Issued and outstanding	**Number**	**Amount**	Number	Amount
Trust units - beginning of period	**7,035,664**	**$ 73,732,916**	4,517,137	$ 59,008,957
Issued under DRIP	**4,386**	**26,936**	3,107	17,018
Issued under Merger (Note 1)	**-**	**-**	6,744,790	39,459,629
Units repurchased or cancelled	**(459,700)**	**(2,814,312)**	(126,200)	(703,949)
Units redeemed	**(2,648)**	**(14,382)**	(4,103,170)	(24,048,739)
Trust units - end of period	**6,577,702**	**$ 70,931,158**	7,035,664	$ 73,732,916

The weighted average number of Units outstanding for the six months ended June 30, 2011 was 6,637,082 Units (2010 – 3,037,946 Units).

On January 4, 2010, Unitholders exercised their redemption privilege and redeemed 1,469,614 Units at a redemption price of $5.88 per Unit for a total cost of $8.6 million. The Fund merged on October 4, 2010 with Energy Plus and CGF LP by acquiring their investment portfolios and other assets. As a result of the merger and special redemption right, the Fund's net asset value increased to $41.34 million on October 4, 2010.

On October 4, 2010, the Fund commenced a Normal Course Issuer Bid ("NCIB") program, replacing the mandatory repurchase program that existed prior to this date. For the period October 4, 2010 to December 31, 2010, the Fund repurchased 45,300 units for cancellation at an average cost of $5.45 per unit. For the period January 1, 2011 to June 30, 2011, the Fund repurchased 459,700 units for cancellation at an average cost of $6.12 per unit. Previously, the Fund had a mandatory repurchase program whereby units offered for sale at a discount to the Fund's net asset value per unit of greater than 5% were repurchased for cancellation, subject to a maximum of 1.25% in each quarter of the total number of units outstanding at the beginning of each quarter. For the period January 1, 2010 to October 3, 2010, the Fund repurchased 80,900 units at an average cost of $5.65 under the mandatory repurchase program.

Unitholders can acquire additional units by participating in the Distribution Reinvestment Plan ("DRIP"). The DRIP enables Unitholders to reinvest their monthly distributions in additional units of the Fund at the five-day weighted average market price of the Fund's units. For the period ended June 30, 2011, a total of 4,386 units were issued under the DRIP (year ended December 31, 2010 - 3,107 units).

Unitholders are entitled to retract their units outstanding on the last business day of each month at an amount equal to (a) the lesser of: (i) 90% of the weighted average trading price of a unit on the Toronto Stock Exchange (the "TSX") during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs.

4. ADMINISTRATIVE EXPENSES, INVESTMENT MANAGEMENT FEES, AND MANAGEMENT FEES

The Fund is repsonsible for all expenses incurred. All expenses of the Fund are initially paid by the Manager, who is then reimbursed by the Fund in a reasonable amount of time.

The manager is entitled to a fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the period ended June 30, 2011, management fees totalled $189,231 (period ended June 30, 2010 - $66,417), of which $28,162 was payable at June 30, 2011 (period ended June 30, 2010 - $10,538). Galileo Global Equity Advisors Inc. is the investment manager of the Fund and is entitled to a fee of 0.40% per annum of the average net asset value of the Fund plus applicable taxes. For the period ended June 30, 2011, investment management fees totalled $108,132 (period ended June 30, 2010 - $37,952).

Administrative expenses for the period ended June 30, 2011 totalled $100,957 (period ended June 30, 2010 - $34,617). A Part of these administrative costs consisted of a monthly general overhead cost paid to First Paladin Inc., a company related to the Manager, of $10,000 per month in 2011 (2010 - $5,000 per month) to cover related administrative salaries, employee benefits, general overhead, and office supplies.

5. TRAILER FEE

The Fund no longer pays trailer fees. Prior to October 4, 2010, the Fund paid a trailer fee to investment dealers calculated and payable quarterly in arrears at an annual rate of 0.40% of the net asset value of the Fund held by Unitholders in accounts with investment dealers. For the period ended June 30, 2010, the Fund recorded an expense of $36,165 relating to trailer fees.

6. INVESTMENTS

The net realized gain (loss) on the sale of investments was determined as follows:

For the periods ended June 30		**2011**		2010
Proceeds from the sale of investments	$	**10,984,452**	$	10,586,894
Less cost of investments sold:				
Investments at cost – beginning of period		**40,101,916**		19,718,844
Investments purchased during period		**6,270,697**		6,099,998
Investments at cost – end of period		**(37,210,001)**		(16,014,244)
Cost of investments disposed of during the period		**9,162,612**		9,804,598
Net realized gain (loss) on sale of investments	$	**1,821,840**	$	782,296

7. PORTFOLIO TRANSACTION COSTS

For the period ended June 30, 2011, the Fund incurred portfolio transaction costs of $37,134 (period ended June 30, 2010 – $38,701). These costs are recorded separately in the Statements of Operations as an expense for the period.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund aims to provide unitholders with monthly distributions primarily through investments in oil and gas royalty trusts and oil and gas corporations. As a result, the Fund is exposed to the risk of being invested, on a concentrated basis, in these asset classes. The Fund's investment manager uses a disciplined, fundamental approach in its investment selection and portfolio management approach which consists of an intensive and ongoing research process of investment opportunities. The investment manager purchases and holds securities for the Fund for the short to medium term and also determines the timing of when to rotate the Fund's portfolio in order to enhance the Fund's portfolio performance and/or limit risk.

Financial Instruments

CICA Handbook Section 3862 requires disclosure of a three-level hierarchy for fair value measurement based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows: (i) Level 1 - inputs are unadjusted quoted prices of identical instruments in active markets; (ii) Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; (iii) Level 3 - one or more significant inputs used in a valuation technique are unobservable in determining fair value of the instruments.

The following tables present as at June 30, 2011, and December 31, 2010, the level within the fair value hierarchy for each of the financial assets measured at fair value:

Financial assets — trading investments	Level 1	Level 2	Level 3	June 30, 2011 Total Fair Value
Equities	$ 44,410,530	$ -	$ -	$ 44,410,530
Convertible Debenture	-	-	-	-
Total	$ 44,410,530	$ -	$ -	$ 44,410,530

Financial assets — trading investments	Level 1	Level 2	Level 3	December 31, 2010 Total Fair Value
Equities	$ 46,527,223	$ -	$ -	$ 46,527,223
Convertible Debenture	-	1,000,100	-	1,000,100
Total	$ 46,527,223	$ 1,000,100	$ -	$ 47,527,323

Market Risk

Market risk represents the potential loss that can be caused by a change in the fair value of the financial instrument. The investments of the Fund are subject to normal market fluctuations and the risks inherent in being invested in the trust market. The Fund will continue to invest using a long-term perspective, while focusing on quality businesses that consistently deliver strong returns for Unitholders. The best estimate of the effect on net assets due to a reasonably possible change in the S&P/TSX Capped Energy index ("Energy index"), with other variables held constant, is as follows. If prices on the energy index had increased or decreased by 10.00%, all other variables held constant, the net assets of the Fund would increase or decrease by 9.7%, respectively. In practice the actual results may differ from the above sensitivity analysis and the difference could be material.

Interest Rate Risk

The majority of the Fund's assets are non-interest bearing. The Fund is also exposed to risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its investments. Excess cash and cash equivalents are invested in overnight deposits and bankers' acceptances.

Credit Risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform to the terms of their obligations to the Fund. The Fund maintains all of its cash and equivalents at its custodian. All transactions in listed securities are settled (paid for) upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Foreign Currency Risk

The assets and liabilities of the Fund are predominately held in the functional currency of the Fund which is the Canadian dollar; therefore, the Fund is not exposed to significant foreign currency risk.

Liquidity Risk

The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an active trading market for the investments will exist at all times or that the prices at which the securities trade accurately reflect their fair values. Thin trading in a security could make it difficult to liquidate holdings in a short period of time. The Fund generally maintains a sufficient cash balance to meet its daily operating expenses.

9. CAPITAL MANAGEMENT

The Fund's capital consists solely of Unitholders' equity. The Fund's Manager maintains the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in its Declaration of Trust. Unitholders' equity consists of issued units, undistributed net investment income, if any, undistributed realized gains (losses) on sale of investments, if any, and unrealized gains (losses) in value of investments. Pursuant to its Declaration of Trust, the Fund is required to distribute all of its net income and net realized capital gains (as calculated for tax purposes); therefore, unitholders' equity mainly represents issued units and unrealized gains or losses in the value of investments.

10. SUBSEQUENT EVENTS

Regulatory Issues

On March 4, 2011, preliminary prospectuses for offerings of warrants for both Citadel Income Fund and Energy Income Fund (the "Funds") were filed by the Manager. Staff of the Ontario Securities Commission ("Staff") recommended against receipting the prospectuses due to the widely publicized acquisition (the "Acquisition") by Crown Hill Fund of the administration contracts of the Citadel Group of Funds in June 2009 and the subsequent merger of some of those funds with the Crown Hill Fund, forming the Citadel Income Fund. At the time, Staff expressed their concerns with the Acquisition and the disclosure made in the June 3, 2009 information circular. After the Manager made changes to the proposed reorganization to address Staff's concerns, a new information circular was issued, was approved by unitholders and the reorganization was partially completed to create the Citadel Income Fund.

Despite the Manager's response, Staff continued to raise the same concerns with the Acquisition nearly two years later, and used those same arguments to recommend that the Director of Investment Funds deny the receipting of the prospectus in relation to the warrant offering.

On April 14, 2011, the Manager and the Funds availed themselves of the Opportunity to be Heard (the "OTBH") before the Director of Investment Funds. The OTBH meeting was adjourned and reconvened on May 11, 2011 with another (acting) Director. In the meantime, on May 6, 2011, Staff served the Manager and its President with an enforcement notice relating to the Acquisition. On May 11, 2011, the second (acting) Director upheld Staff's recommendation.

On May 31, 2011, the Manager and the Funds sought a hearing and review (the "Hearing and Review") of the Director's decision (pursuant to subsection 8(2) of the Securities Act) before the Ontario Securities Commission (the "Commission"). The application was heard on July 12, 13 and 14, 2011. Three business days prior to the Hearing and Review, July 7, 2011, Staff issued a Notice of Hearing and Statement of Allegations against the Manager and its President. It is alleged in the Statement of Allegations that the Citadel Acquisition was undertaken primarily in the interests of the Manager rather than the Fund, contrary to s.116 of the Securities Act. This was the same submission made by Staff at the OTBH and then at the Hearing and Review. In addition, Staff allege that the acquisition of the management contracts for the Fairway Diversified Income and Growth Trust and subsequent merger in January 2009 was also primarily in the interests of the Manager. Finally, Staff allege that certain amendments to the Declaration of Trust of MACCs Sustainable Yield Trust (the predecessor Trust to Crown Hill Fund) to increase the management fee, grant broader powers to the Manager and to adopt less restrictive investment requirements, were also undertaken primarily to benefit the Manager.

Immediately following the issuance of the Notice of Hearing, Staff sought to stay the Hearing and Review on the basis that the Commission should await the outcome of the enforcement proceeding commenced on July 7, 2011, as the proceedings largely involved the same issues. The Commission dismissed Staff's motion.

On August 4, 2011, the Commission released its Order, granting the Manager's application on the Hearing and Review and overturning the acting Director's decision to deny the receipting of the preliminary prospectuses. The Commission ruled and found that there were insufficient grounds to justify the acting Director's decision and the Staff's recommendations. The Commission ruled that, contrary to Staff's submission and the Director's decision, it was not apparent that there was sufficient evidence to justify a refusal to issue a receipt for the prospectuses on the grounds that the business of the Funds may not be conducted with integrity.

The Funds intend to file final prospectuses in accordance with the Commission's Order.

On August 8, 2011, the Manager and its President attended before the Commission and requested the earliest available hearing dates to address the allegations made by Staff in the enforcement proceeding. Staff resisted setting hearing dates and the presiding Commissioner ordered that the parties return for a pre-hearing conference on September 21, 2011.

Warrant Offering

The Fund intends to file a final prospectus prior to October 4, 2011 for a warrant offering subject to the Fund obtaining all necessary regulatory and exchange approvals. The exercise of warrants by warrant holders will provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, reduce the management expense ratio, and increase the trading liquidity of the Fund's units.

11. COMPARATIVE NUMBERS

Prior period numbers have been reclassified to conform with current period's presentation.

CORPORATE INFORMATION

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AUDITOR

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STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Energy Income Fund Units: **ENI.UN**

INVESTMENT MANAGER

Galileo Equity Management Inc.
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INDEPENDENT REVIEW COMMITTEE

Mark Maxwell
John Campbell
Andrew Fleming
Mark Arthur

DIRECTORS OF THE MANAGER/TRUSTEE

Wayne Pushka – Director
Michael Burns – Independent Director
Gary Van Nest – Independent Director

OFFICERS OF THE MANAGER/TRUSTEE

Wayne Pushka – Chief Executive Officer
Robert Parent – Chief Financial Officer
Kelly Reddy – Chief Compliance Officer

CUSTODIAN

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