Crown Hill Capital Corporation

ENERGY INCOME FUND

ANNUAL REPORT 2011

DECEMBER 31, 2011

TABLE OF CONTENTS

ENERGY INCOME FUND

The units of Energy Income Fund (the “Fund” or “Energy” and formerly Sustainable Production Energy Trust) are listed on the Toronto Stock Exchange (“TSX”) under the symbol ENI.UN. Crown Hill Capital Corporation (“Crown Hill”) is the trustee (the “Trustee”) and manager (the “Manager”) of the Fund. Galileo Global Equity Advisors Inc. is the investment manager (the “Investment Manager”) of the Fund.

INVESTMENT HIGHLIGHTS:

For the years ended December 31		**2011**		2010		2009		2008		2007
Net assets per unit (1)	**$**	**6.35**	$	6.80	$	5.85	$	4.06	$	5.12
Market price per unit (1)	**$**	**5.07**	$	5.66	$	5.38	$	3.65	$	4.80
Trading premium (discount)		**(20.1)%**		(16.8)%		(8.5)%		(10.0)%		(6.3)%
Cash distributions per unit	**$**	**0.36**	$	0.36	$	0.45	$	0.90	$	0.90
Trailing yield (2)		**7.1%**		6.4%		8.4%		24.7%		18.8%
Market capitalization ($ millions)	**$**	**37.81**	$	39.82	$	24.30	$	19.40	$	34.80
Net assets ($ millions)	**$**	**47.34**	$	47.86	$	26.43	$	21.60	$	37.10

(1) Net assets and market price per unit are based on year end values.

(2) Trailing yield is based on the respective 12 months’ cash distributions declared expressed as a percentage of market price.

MANAGEMENT REPORT OF FUND PERFORMANCE

(March 30, 2012)

This report for the year ended December 31, 2011 includes both the management report of fund performance, containing financial highlights, and the audited annual financial statements of Energy Income Fund.

To obtain a copy of the Fund’s proxy voting disclosure record or quarterly portfolio disclosure, unitholders may contact us by calling 416-361-9673 or 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. To obtain a copy of the Fund’s financial statements, management report of fund performance, or final warrant offering prospectus. Unitholders may contact us using one of the aforementioned methods or visit the SEDAR website at www.sedar.com. To obtain a copy of the Fund’s proxy voting policies and procedures, unitholders should contact us directly.

INVESTMENT OBJECTIVES AND STRATEGIES

Energy’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 year ended December 31, 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.

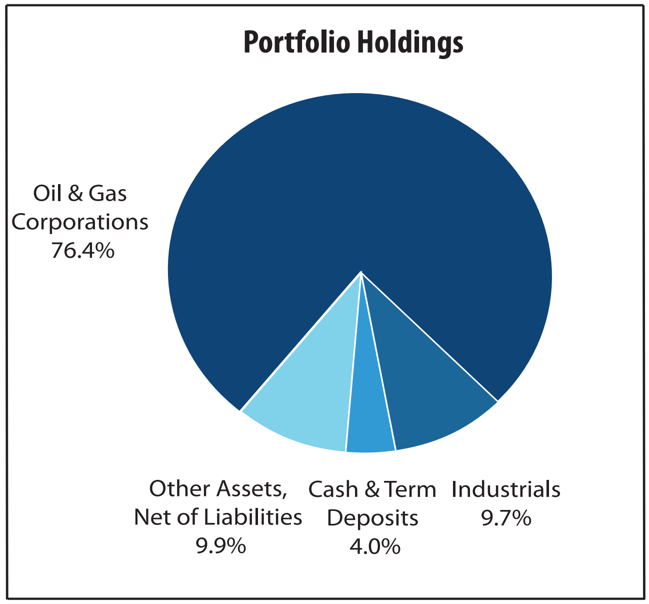
RISK

There are a number of risks associated with an investment in Energy Income 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 does not directly affect Energy Income Fund. However, the tax does affect some of the holdings within its portfolio.

RESULTS OF OPERATIONS



This last year is best described as the Year of the Black Swan. From the Tohoku region earthquake in Japan to the Arab Spring, hefty geopolitical premiums on oil prices, sovereign debt crises and political brinksmanship in the West, the unforeseen catastrophes won out and the markets lost in 2011. There are, however, signs that the global economy has stabilized and that certain areas of the market have held up very well in 2011. Volatility will continue to haunt the capital markets driven by headline risk. Market ebbs and flows will continue to be a function of investor psychology and the paralysis of fear and greed.

The macro doom and gloom of 2011 has served to obscure some very compelling realities. Profit margins were at 20-year highs, but corporate debt was at multi-decade lows. The earnings yield of the S&P currently sits at 8.2% while 10-year Treasuries yield 1.85%. United States' unemployment has begun to abate with 200,000 jobs added in December. Further, recent Purchasing Managers Index numbers out of China (50.3%) and the United States (53.9%) point towards expansion, not contraction. European growth will continue to be soft and heavy borrowing for deficit refinancing will persist in 2012. In China, GDP growth slowed in the fourth quarter of 2011 to 8.7% compared to 9.1% in the third quarter of 2011, but this is arguably from monetary tightening on the part of the central authorities aimed at curbing inflation. Growth in Chinese GDP for 2012 is expected to be comfortably over 8.0% as the People's Bank of China embarks in the other direction of policy easing over the coming months. While the threat of sovereign default in Europe looms, it is likely more constructive to focus on compelling valuations in the market.

During 2011, energy contributed heavily to a decline for the TSX despite firmness in oil prices throughout the course of the year. This could be understood in one of two ways: either the economy is stronger or oil is more scarce than the market believes. Ostensibly, it is a combination of both. Either way, valuations look attractive. Oil proved remarkably resilient ending the year up 4.4% at $94.70 per barrel. This is in stark contrast to 2008 when oil hit a high of $147 and then plummeted to $30.

The divergence between oil prices and the underlying stocks in addition to robust merger and acquisition activity at the outset of this year signal that the economy is in better shape than most investors think and that there is continued opportunity in the market. Despite the current high levels of uncertainty among investors, the overall outlook remains positive.

Energy Income Fund's net assets decreased to $47.34 million at December 31, 2011 from $47.86 million at December 31, 2010. The Fund's net assets per unit decreased to $6.35 per unit at December 31, 2011 from $6.80 per unit at December 31, 2010. The decrease in the Fund's net assets per unit, coupled with its monthly cash distributions, resulted in a negative total return of 1.32% over the year (2010 - positive total return of 22.45%).

Excluding the dilutive effect of the warrant offering program, the Fund's net assets per unit decreased to $6.63 per unit at December 31, 2011 from $6.80 per unit at December 31, 2010. The decrease in the Fund's net assets per unit, coupled with its monthly cash distributions, resulted in positive total return of 2.78% over the year.

The Fund's market price per unit also decreased to $5.07 per unit at December 31, 2011 from $5.66 per unit at December 31, 2010. The decrease in the Fund's market price per unit, coupled with its monthly cash distributions, resulted in a negative total return of 4.06% over the year (2010 - positive total return of 10.97%).

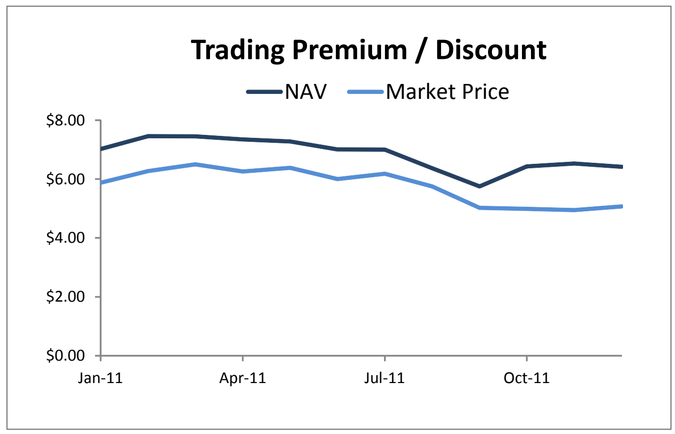
Total revenue for 2011 was $2.15 million compared to $1.54 million in 2010. This increase in revenue was mostly due to the increase in portfolio holdings from the merger and the corresponding increase in distribution income received from this larger portfolio. Total expenses for 2011 were $1.48 million compared to $1.24 million for 2010, again as a result of a larger portfolio and net assets. Management fees, which are calculated in reference to the Fund's net asset value, increased to $0.34 million for 2011 compared to $0.18 million for 2010. Investment management fees, which are calculated in reference to the Fund's net asset value, increased to $0.19 million in 2011 compared to $0.10 million in 2010. Administrative fees increased to $0.21 million in 2011 compared to $0.08 million in 2010. Trailer fees were terminated in October 2010. The Fund did not have any trailer fees for 2011 (2010 - $0.04 million). In 2011, the Fund generated net investment income of $0.67 million or $0.10 per unit compared to $0.30 million or $0.07 per unit in 2010.

The Fund realized gains of $1.17 million on the sale of investments in 2011 and experienced a change in unrealized depreciation in the value of investments of $1.23 million. In 2010, the Fund had realized gains on the sale of investments of $1.63 million and experienced a change in unrealized appreciation in the value of investments of $6.23 million.

For the years ended December 31, 2011 and 2010, Energy Income Fund paid total cash distributions of $0.36 per unit based on monthly distributions of $0.03 per unit.

TRADING PREMIUM / DISCOUNT TO NET ASSET VALUE

For 2011, the Fund's market price traded at an average discount to its net asset value per unit of 14.8%, compared to an average discount of 7.7% in 2010. With this discount, the Fund repurchased 799,700 units for cancellation under its normal course issuer bid ("NCIB") program at an average cost of $5.89 per unit (2010 - 80,900 units at an average cost of $5.65 per unit under the mandatory repurchase program, 45,300 units at at average cost of $5.45 per unit under the NCIB program). 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.



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 filed 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. This second pre-hearing conference was again reconvened and on October 13, 2011, hearing dates were set with an enforcement proceeding scheduled to start on May 9, 2012.

Warrant Offering

On September 27, 2011, the Fund announced that it had filed a final short form prospectus relating to its warrant offering. Each unitholder of record on October 7, 2011 received one new warrant for each unit held. A total of 6,366,249 warrants were issued. Each warrant entitled the unitholder to purchase a new unit upon payment of the subscription price of $5.00. Warrants could be exercised at any time before the earlier of i) March 1, 2012, or ii) such date which is 20 business days from the date the embedded call feature in the warrants is exercised by the Fund in accordance with the terms of the warrant offering.

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.

As at December 31, 2011, 1,214,058 warrants were exercised for total proceeds of $5,948,884. On March 2, 2012, upon completion of the warrant offering program, 6,366,249 warrants were exercised for total proceeds of $31,194,620.

Annual Redemption Privilege

Under the Declaration of Trust, the maximum number of units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year less the number of units repurchased for cancellation by the Fund during the preceding twelve-month period (the "Maximum Redemption Amount"). The public float as determined on January 4, 2011 was 7,035,665 units and 10% of the public float was 703,566 units. From January 1, 2011 to December 31, 2011, the Fund repurchased 799,700 units for cancellation under its normal course issuer bid program with an average cost of $5.89 per unit. The Maximum Redemption Amount was reached prior to the end of the twelve-month period ending December 31, 2011 and therefore no additional units were redeemable under the 2011 annual redemption privilege.

Normal Course Issuer Bid Program

Effective November 21, 2011, the Fund renewed its normal course issuer bid program to permit the Fund to purchase outstanding units on the TSX from time to time. The Fund may purchase units in the market for cancellation if the Manager determines that such purchases provide liquidity to unitholders. Under the normal course issuer bid program, the Fund may purchase up to 637,040 units, representing approximately

10% of the public float of 6,370,399 units. Additionally, the Fund may not purchase more than 127,808 units in any 30-day period, representing 2% of the issued and outstanding units. If these purchases are made, they will be made in accordance with applicable regulations over a twelve-month period ending November 20, 2012. Units purchased will be cancelled. Effective March 28, 2012, the normal course issuer bid was amended to increase the number of transferable, redeemable units that may be purchased under the bid from 637,040 units to 1,284,988 units, being 10% of the public float of the issued and outstanding units as of March 23, 2012. The number of units purchased under the normal course issuer bid program from November 21, 2011 to March 30, 2012 was 400,500 units with a weighted average price paid of $5.07 per unit.

Partial Redemption Feature

On February 14, 2012, the Fund announced that up to 1,000,000 units could be redeemed on March 20, 2012 for an amount per unit equal to the transactional net asset value per unit as of March 15, 2012. Beneficial holders of units had to submit their request to redeem units by no later than March 14, 2012. Requests for redemptions were oversubscribed and all 1,000,000 units were redeemed. The units were redeemed on a pro rata basis at a redemption price of $5.85 per unit.

Fund Merger with Citadel SMaRT Fund

On February 15, 2012, Crown Hill, the administrative agent of Citadel SMaRT Fund ("SMaRT") and the Manager of Energy announced that, subject to regulatory and other approvals, SMaRT would merge (the "Merger") into Energy on March 23, 2012 (the "Effective Date").

The Merger was effected using an exchange ratio calculated as the net asset value per unit of SMaRT divided by the net asset value per unit of Energy, each determined as at the close of trading on the TSX on the business day immediately prior to the Effective Date. Unitholders of SMaRT received 3.074 units of Energy. As a result of the Merger, 1,534,254 additional units were issued in Energy.

Requisition Order

On January 25, 2012, Crown Hill announced that it had received a purported requisition for a meeting of unitholders of the Fund. After review, the Trustee and its legal counsel determined that, for a number of reasons, the requisition was not valid.

On January 30, 2012, Crown Hill announced that the Fund had filed an application with the Ontario Securities Commission ("OSC") under section 104 of the Securities Act to address the trading undertaken in the units of the Fund by a group of dissident unitholders apparently guided by CIBC Wood Gundy prior to the dissidents delivering a requisition to hold a unitholder meeting.

Trading records show that the dissident unitholder group acquired nearly its entire announced position of 1.85 million units since October 25, 2011 for the apparent purpose of requisitioning a meeting. While acquiring this position, the dissident group did not disclose it had acquired more than 20% of the Fund's units, well above the required limit for disclosure. The dissident unitholders requested a unitholder meeting for the stated purpose of holding a vote to appoint a new manager and trustee to pursue an undisclosed agenda.

The Trustee asked the OSC to determine whether: i) the individual respondents acted jointly or in concert in acquiring the Fund units and requisitioning the meeting which would mean they repeatedly breached the takeover provisions of the Securities Act; ii) the individual respondents failed to comply with the early warning disclosure requirements of Part XX of the Act; iii) while in a special relationship with the Fund, the individual respondents traded units when they possessed material information that was not generally disclosed to the public, contrary to section 76 of the Act, and; iv) the OSC should exercise its public interest jurisdiction to prevent the individual respondents from taking advantage of their breaches of Ontario securities laws which, if permitted, would cause serious damage to the Fund, would be unfairly prejudicial to, and abusive of, the other unitholders of the Fund who sold their units to the individual respondents without knowledge of the proposed takeover, and would be contrary to the public interest.

Specifically, the Trustee sought OSC orders: i) declaring that the individual respondents have not complied with the requirements of Part XX of the Act; ii) declaring that the individual respondents have traded in the units of the Fund, contrary to section 76 of the Act; iii) cease trading the securities of the Fund held by the respondents; iv) removing the exemptions available under Ontario Securities law from the respondents, and; v) restraining the respondents from providing a notice of meeting, proxy circular, or any other form of proxy solicitation to unitholders of the Fund.

On February 10, 2012, Crown Hill announced that the Fund had been advised that a number of unitholders withdrew their support for a requisition to hold a unitholder meeting. Those unitholders held more than 50% of the units supporting the requisition. As a result, the requisition no longer has the minimum unitholder support required under the Fund's Declaration of Trust and the meeting will not proceed.

The Trustee has therefore withdrawn its previously announced application to the OSC under section 104 of the Securities Act. Currently, the matter remains outstanding.

Harmonized Sales Tax Introduction

On July 1, 2010, Harmonized Sales Tax ("HST") was introduced in the province of Ontario. The Fund is subject to HST in Ontario at a rate of 13% in 2011 compared to a rate of 5% in 2010. 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 $47,981 of HST paid in 2011, receivable as of the year ended December 31, 2011. For the year ended December 31, 2010, the Fund had HST receivable of $13,564.

Future Accounting Changes

The Fund is currently required to adopt International Financial Reporting Standards ("IFRS"). On December 12, 2011, the Canadian Accounting Standards Board ("AcSB") made the decision to extend the deferral of the mandatory adoption of IFRS for investment companies applying Accounting Guideline AcG-18, Investment Companies, for an additional year to January 1, 2014. This extends the previous two-year deferral of IFRS to three years as compared to other publicly accountable entities. Accordingly, the Fund's financial statements will not be affected by IFRS until January 1, 2014.

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. For the year ended December 31, 2011, management fees totaled $341,317 (2010 - $182,409), of which $23,332 was payable at December 31, 2011 (2010 - $28,840). 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 expenses for the year ended December 31, 2011 totaled $213,712 (2010 - $81,342). As part of these expenses, the Fund is paying a general overhead cost to First Paladin Inc. (a company under common control with the Manager). First Paladin received $10,000 per month plus applicable taxes 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 past five years as applicable.

Net Assets per Unit ("NAPU")

For the years ended December 31	**2011**	2010	2009	2008	2007
NAPU — beginning of year [1]	$ **6.80**	$ 5.85	$ 4.06	$ 5.12	$ 6.43
Increase (decrease) from operations:					
Total revenue	**0.33**	0.38	0.38	0.62	0.68
Total expenses	**(0.23)**	(0.31)	(0.17)	(0.16)	(0.18)
Realized gains (losses)	**0.18**	(0.41)	(0.54)	(1.49)	(1.15)
Unrealized gains (losses)	**(0.19)**	1.55	2.53	0.87	0.27
Total increase (decrease) from operations [2]	$ **0.09**	$ 2.03	$ 2.20	$ (0.16)	$ (0.38)
Distributions:					
From net investment income	**-**	0.06	0.20	0.52	0.57
Return of capital	**0.36**	0.30	0.25	0.38	0.33
Total distributions	**0.36**	0.36	0.45	0.90	0.90
NAPU — end of year	$ **6.35**	$ 6.80	$ 5.85	$ 4.06	$ 5.12

(1) 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.

(2) The increase (decrease) from operations is based on the weighted average number of units outstanding over the year. 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 years ended December 31	**2011**	2010	2009	2008	2007
Total net asset value ($ 000's)	$ **47,339**	$ 47,856	$ 26,413	$ 21,593	$ 37,117
Number of units outstanding (000's)	**7,458**	7,036	4,517	5,322	7,252
Management expense ratio [1]	**3.01%**	4.51%	2.95%	2.51%	2.69%
Portfolio turnover ratio [2]	**37.68%**	111.38%	108.51%	53.34%	31.92%
Trading expense ratio [3]	**0.27%**	0.61%	0.55%	0.40%	0.38%
Closing market price	$ **5.07**	$ 5.66	$ 5.38	$ 3.65	$ 4.80

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

(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 net asset 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 asset value during the year.

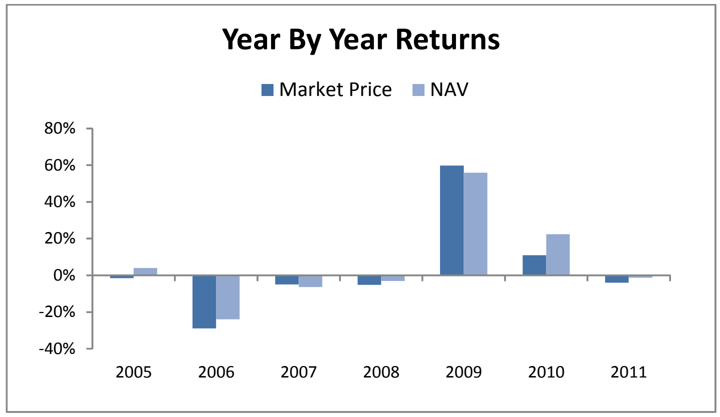
MANAGEMENT FEES

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. 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, calculated and payable monthly, in exchange for providing investment management services.

PAST PERFORMANCE

Energy Income Fund's performance numbers represent the annual compound total returns over the year from inception in October 2005 to December 31, 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.



ANNUAL COMPOUND RETURNS

In the table below are the annual compound returns for Energy Income Fund based on market price and net assets per unit for the periods indicated to December 31, 2011. For the year ended December 31, 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.

	1-Year	3-Year	5-Year	Since Inception
Energy Income Fund (market price)	(4.06)%	19.69%	9.08%	1.28%
Energy Income Fund (net assets)	(1.32)%	23.29%	11.19%	4.89%
Energy Income Fund (net assets excluding warrants) (1)	2.78%	24.98%	12.10%	5.58%
S&P/TSX Capped Energy Index (2)	(16.83)%	7.48%	(3.70)%	(1.84)%

(1) This calculation attributes no rate of return to the warrant proceeds.

(2) 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 December 31, 2011

Total Net Assets: $47,338,750

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. The next quarterly update will be in the Quarterly Portfolio Disclosure as at March 31, 2012. Quarterly updates are available at www.crownhill.ca.

Portfolio by Sector	% of Total Net Assets
Oil & Gas Corporations	76.4%
Industrials	9.7%
Cash and Term Deposits	4.0%
Other Assets, Net of Liabilities	9.9%
Total Net Assets	100.0 %

TOP HOLDINGS (as a % of Total Net Assets)

Crescent Point Energy Corp.	9.5%
Freehold Royalties Ltd.	7.8%
Bonavista Energy Corp.	7.7%
Baytex Energy Corp.	7.2%
Penn West Petroleum Ltd.	6.8%
Bonterra Oil & Gas Ltd.	6.6%
Vermillion Energy Inc.	5.8%
Badger Daylighting	5.1%
Pure Energy Services	4.2%

Canadian Energy Services & Technology Corp.	3.8%
Spartan Oil Corp.	2.5%
Phoenix Energy Services Corp.	2.2%
Celtic Exploration Ltd.	2.2%
Renegade Petroleum Ltd.	2.1%
C&C Energia Ltd.	1.7%
Bankers Petroleum Ltd.	1.1%
Ravenwood Energy Corp.	0.1%

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. This includes 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, foreign exchange rates, and stock market volatility. Actual results, performance, or achievement could differ materially from those expressed in or implied by these forward-looking statements. Accordingly, no assurances can be given that any of these events anticipated by the forward-looking statements will transpire or occur or that if they do, what benefits (including the amount of proceeds) will be derived 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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2011 AND 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The 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 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 judgments. 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 Audit Committee on behalf of Crown Hill and its Board of Directors has appointed the external audit firm of Ernst & Young LLP. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to unitholders its opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

Robert Parent
Chief Financial Officer
Crown Hill Capital Corporation

Kevin Ho
Vice-President, Finance
Crown Hill Capital Corporation

March 30, 2012

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of **Energy Income Fund**

We have audited the accompanying financial statements of Energy Income Fund, which comprise the statements of investments and net assets as at December 31, 2011 and 2010, and the statements of operations and changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made my management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Energy Income Fund as at December 31, 2011 and 2010, and results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada

March 30, 2012

STATEMENTS OF NET ASSETS

As at December 31	**2011**	2010
Assets		
Investments at fair value	**$ 40,789,071**	$ 47,527,323
Cash and cash equivalents	**1,874,294**	497,779
Receivable for investments sold	**-**	151,218
Receiveable for warrants exercised	**4,907,110**	-
Dividends and interest receivable	**167,244**	181,805
Prepaid expenses	**69,388**	20,425
	47,807,107	48,378,550
Liabilities		
Distributions payable	**223,730**	211,070
Payable for investments purchased	**112,537**	90,848
Accounts payable and accrued liabilities (Note 5)	**132,090**	220,603
	468,357	522,521
Net Assets Representing Unitholders' Equity	**$ 47,338,750**	$ 47,856,029
Units Outstanding (Note 4)	**7,457,656**	7,035,664
Net Assets per Unit (Note 2)	**$ 6.35**	$ 6.80

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

Robert Parent
Chief Financial Officer

Kevin Ho
Vice-President, Finance

STATEMENTS OF OPERATIONS

For the years ended December 31	2011	2010
Investment Income		
Dividend income	**$ 2,117,081**	$ 1,506,762
Interest income	**30,159**	37,594
Total Investment Income	**2,147,240**	1,544,356
Expenses		
Management fees (Note 5)	**341,317**	182,409
Legal fees	**298,470**	280,413
Administrative expenses (Note 5)	**213,712**	81,342
Investment management fees (Note 5)	**193,972**	104,234
Portfolio transaction costs (Note 9)	**121,888**	148,595
Audit and review fees	**96,809**	47,863
Regulatory and listing expenses	**72,382**	29,119
Custody, valuation, and transfer fees	**57,921**	52,934
Unitholder servicing expenses	**24,356**	121,141
Insurance expense	**23,658**	6,861
Independent review committee fees	**16,634**	17,602
Board fees	**15,460**	10,433
Income tax expense	**2,859**	-
Severance and other costs	**-**	112,676
Trailer fees (Note 6)	**-**	37,577
Trustee fees	**-**	11,071
Total Expenses	**1,479,438**	1,244,270
Net Investment Income	**667,802**	300,086
Net Realized Gain on Sale of Investments (Note 7)	**1,168,043**	1,633,133
Change in Unrealized Appreciation (Depreciation) in Value of Investments	**(1,234,615)**	6,229,151
Increase in Net Assets from Operations	**$ 601,230**	$ 8,162,370
Increase in Net Assets from Operations per Unit (1)	**$ 0.09**	$ 2.03

(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 years ended December 31	2011	2010
Net Assets — Beginning of Year	**$ 47,856,029**	$ 26,413,516
Operations:		
Net investment income	**667,802**	300,086
Net realized gain on sale of investments	**1,168,043**	1,633,133
Net change in unrealized appreciation (depreciation) in value of investments	**(1,234,615)**	6,229,151
	601,230	8,162,370
Capital Unit Transactions: (Note 4)		
Fair value of net assets contributed on merger (Note 1)	**-**	39,459,629
Paid for units redeemed - special redemption	**-**	(15,407,409)
Paid for units redeemed - regular redemption	**(14,382)**	-
Proceeds from distribution reinvestment plan	**58,998**	17,018
Proceeds from exercise of warrants	**5,948,884**	-
Repurchase of trust units	**-**	(456,934)
Units cancelled under the normal course issuer bid	**(4,709,647)**	(247,015)
Paid for units redeemed - annual redemption	**-**	(8,641,330)
	1,283,853	14,723,959
Distributions to Unitholders: (Note 8)		
From net investment income	**-**	(256,980)
Return of capital	**(2,402,362)**	(1,186,836)
	(2,402,362)	(1,443,816)
Increase (Decrease) in Net Assets for the Year	**(517,279)**	21,442,513
Net Assets — End of Year	**$ 47,338,750**	$ 47,856,029
Distributions per Unit	**$ 0.36**	$ 0.36

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

STATEMENTS OF INVESTMENTS

	As at December 31, 2011				As at December 31, 2010			
	Number of Units/ Shares	Cost	Fair Value	% of Net Assets	Number of Units/ Shares	Cost	Fair Value	% of Net Assets
Oil & Gas Corporations (1)								
ARC Resources Ltd. (Formerly ARC Energy Trust)	-	$ -	$ -	-	80,000	$ 1,721,518	$ 2,032,000	4.3
Badger Daylighting Ltd. (Formerly Badger Income Fund)	115,000	2,271,228	2,435,700	5.1	100,000	1,649,284	1,895,000	3.9
Bankers Petroleum Ltd.	120,000	723,459	529,200	1.1	80,000	583,493	608,000	1.3
Baytex Energy Corp. (Formerly Baytex Energy Trust)	60,000	2,015,976	3,414,600	7.2	80,000	2,499,811	3,728,800	7.8
Bonavista Energy Corp. (Formerly Bonavista Energy Trust)	140,000	3,576,776	3,647,000	7.7	130,000	3,289,307	3,744,000	7.8
Bonterra Oil & Gas Ltd.	61,300	2,359,847	3,146,529	6.6	80,000	3,080,655	4,092,000	8.6
C&C Energia Ltd.	115,000	866,419	856,750	1.7	-	-	-	-
Canadian Energy Services & Technology Corp.	160,000	1,651,024	1,782,400	3.8	25,000	509,252	730,000	1.5
Cathedral Energy Services	-	-	-	-	100,000	731,871	900,000	1.9
Celtic Exploration Ltd.	45,000	1,107,778	1,024,650	2.2	-	-	-	-
Ceres Capital Corp.	-	-	-	-	2,400,000	876,000	804,000	1.7
Crescent Point Energy Corp.	100,000	3,681,115	4,483,000	9.5	75,000	2,634,233	3,312,750	6.9
Daylight Energy Ltd.	-	-	-	-	250,000	2,626,657	2,575,000	5.4
Freehold Royalties Ltd. (Formerly Freehold Royalties Trust)	190,000	3,445,854	3,687,900	7.8	165,000	2,847,829	3,380,850	7.1
NAL Energy Corp. (Formerly NAL Oil & Gas Trust)	-	-	-	-	230,559	3,009,572	2,983,433	6.2
Penn West Petroleum Ltd. (Formerly Penn West Energy Trust)	160,000	3,481,354	3,225,600	6.8	125,000	2,772,368	2,977,500	6.2
Phoenix Energy Services Corp. (Formerly Phoenix Technology Income Fund)	100,000	990,947	1,060,000	2.2	235,000	2,326,500	3,106,700	6.5
Pure Energy Services Ltd.	225,000	1,799,375	1,984,500	4.2	-	-	-	-
Ravenwood Energy Corp. (2)	3,880	10,398	8,342	0.1	3,880	10,398	8,342	0.0
Renegade Petroleum Ltd.	350,000	1,148,351	1,015,000	2.1	350,000	1,166,935	1,417,500	3.0
Secure Energy Services Inc.	-	-	-	-	130,000	518,460	756,600	1.6
Spartan Exploration Ltd.	-	-	-	-	188,900	859,789	929,388	1.9
Spartan Oil Corp.	350,000	869,569	1,169,000	2.5	-	-	-	-
Vermilion Energy Inc.	60,000	2,182,215	2,711,400	5.8	67,000	2,437,535	3,094,060	6.4
Total Oil & Gas Corporations		32,181,685	36,181,571	76.4		36,151,467	43,075,923	90.0

STATEMENTS OF INVESTMENTS *(Continued)*

	As at December 31, 2011				As at December 31, 2010			
	Number of Units/ Shares	**Cost**	**Fair Value**	**% of Net Assets**	Number of Units/ Shares	Cost	Fair Value	% of Net Assets
Industrials								
Black Diamond Group Ltd.	**250,000**	**$ 2,416,594**	**$ 4,607,500**	**9.7**	122,500	$ 2,237,977	$ 2,631,300	5.5
East Asia Minerals Corp.	-	-	-		100,000	691,372	820,000	1.7
Total Industrials		**2,416,594**	**4,607,500**	**9.7**		2,929,349	3,451,300	7.2
Total Equities		**34,598,279**	**40,789,071**	**86.1**		39,080,816	46,527,223	97.2
Bonds								
Trinidad Drilling Ltd., Convertible, Callable, 7.75%, July 31, 2012	-	-	-	**0.00**	1,000,000	1,021,100	1,000,100	2.1
Total Bonds		-	-	**0.00**		1,021,100	1,000,100	2.1
Other Assets, Net of Liabilities			**6,549,679**	**13.9**			328,706	0.7
Total Net Assets			**$47,338,750**	**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.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 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 years. Actual results may differ from these estimates. The following is a summary of the significant accounting policies.

(a) Cash and equivalents

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

(b) Valuation of investments

Securities listed on a recognized public stock exchange are valued at their bid price on the valuation date.

The fair value of financial assets and liabilities that are not traded in an active market (for example: non-traded investments) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement date. Valuation techniques used include the use of comparable recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis, option pricing models, and other valuation techniques commonly used by market participants making the maximum use of market inputs. Certain financial assets and liabilities may be estimated using valuation techniques based on assumptions that are not supportable by observable market prices or rates. Assumptions used in these techniques may include the costs paid for the security, recent news reports about the issuer, and general market indicators. Their fair value may be determined using valuation models that have been tested against the prices of actual market transactions and using management's best estimate of the most appropriate model inputs. These are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, counterparty credit spread and limitations in the models.

Short-term notes, treasury bills, and bonds are valued at the average bid quotations from recognized investment dealers.

The manager has reviewed its policies over the valuation of assets and liabilities and believes that the fair value ascribed to the financial assets and financial liabilities in these financial statements incorporate appropriate levels of credit risk.

(c) Investment income

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

(d) Distributions

Distributions to unitholders are recorded by the Fund when declared.

(e) Transaction costs

Transacation costs are expensed as incurred.

(f) 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 Transactional Net Assets per unit is computed by dividing the Transactional Net Assets of the Fund by the total number of its units outstanding. A reconciliation of Transactional Net Assets to Net Assets is as follows:

As at December 31, 2011		Net Assets		Net Assets per Unit
Transactional Net Assets	$	47,557,597	$	6.38
Difference as a result of Section 3855		(218,847)		(0.03)
Net Assets	$	47,338,750	$	6.35

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

(g) 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 made by the Fund on the next business day. The securities on loan continue to be included on the Statements of Investments and are included in the total value on the Statements of Net Assets in Investments at fair value.

As at December 31, 2011, the Fund had an aggregate value of securities on loan of $17,669,125 (2010 - $14,821,150) and corresponding aggregate value of collateral for loan of $18,596,614 (2010 - $15,576,654).

(h) Future accounting changes

The Fund is currently required to adopt International Financial Reporting Standards ("IFRS"). On December 12, 2011, the Canadian Accounting Standards Board ("AcSB") made the decision to extend the deferral of the mandatory adoption of IFRS for investment companies applying Accounting Guideline AcG-18, Investment Companies, for an additional year to January 1, 2014. This extends the previous two-year deferral of IFRS to three years as compared to other publicly accountable entities. Accordingly, the Fund's financial statements will not be affected by IFRS until January 1, 2014.

3. INCOME TAXES

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund is subject to applicable federal and provincial taxes on the amount of net income for tax purposes for the year, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the year. No provision for income taxes has been recorded in the accompanying financial statements as all income is distributed to unitholders.

4. 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.

For the years ended	**December 31, 2011**		December 31, 2010	
Issued and outstanding	**Number**	**Amount**	Number	Amount
Trust units – beginning of year	**7,035,664**	**$ 73,732,916**	4,517,137	$ 59,008,957
Issued under DRIP	**10,282**	**58,997**	3,107	17,018
Issued under merger (Note 1)	**-**	**-**	6,744,790	39,459,629
Warrants exercised	**1,214,058**	**5,948,884**	-	-
Units repurchased or cancelled	**(799,700)**	**(4,709,647)**	(126,200)	(703,949)
Units redeemed	**(2,648)**	**(14,382)**	(4,103,170)	(24,048,739)
Trust units – end of year	**7,457,656**	**$ 75,016,768**	7,035,664	$ 73,732,916

Warrants Issued and Outstanding

For the years ended	**2011**	2010
Balance of warrants outstanding – beginning of year	**-**	-
ENI.WT		
Warrants issued during the year	**6,366,249**	-
Warrants exercised during the year	**(1,214,058)**	-
Balance of warrants outstanding - end of year	**5,152,191**	-

The weighted average number of units outstanding for the year ended December 31, 2011 was 6,621,154 units (2010 – 4,013,921 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 Transactional Net Assets 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 December 31, 2011, the Fund repurchased 799,700 units for cancellation at an average cost of $5.89 per unit. Previously, the Fund had a mandatory repurchase program where units offered for sale at a discount to the Fund's

Transactional Net Assets 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 per unit under the mandatory repurchase program.

On September 27, 2011, the Fund announced that it had filed a final short form prospectus relating to its warrant offering. Each unitholder of record on October 7, 2011 received one new warrant for each unit held. Each warrant will entitle that unitholder to purchase a new unit upon payment of the subscription price of $5.00 (which is 95% of the closing price of the units on the Toronto Stock Exchange (the "TSX") on September 22, 2011). Warrants may be exercised at any time before the earlier of i) March 1, 2012, or ii) such date which is 20 business days from the date the embedded call feature in the warrants is exercised by the Fund in accordance with the terms of the warrant offering. For the year ended December 31, 2011, 1,214,058 warrants totaling $5,948,884 (total proceeds less $0.10 per unit warrant exercise fee) were exercised.

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 year ended December 31, 2011, a total of 10,282 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 TSX during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs.

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

The Fund is responsible 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 management fee of 0.70% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the year ended December 31, 2011, management fees totaled $341,317 (2010 - $182,409), of which $23,332 was payable at December 31, 2011 (2010 - $28,840). Galileo Global Equity Advisors Inc. is the investment manager of the Fund and is entitled to an investment management fee of 0.40% per annum of the average net asset value of the Fund plus applicable taxes, calculated and payable monthly. For the year ended December 31, 2011, investment management fees totaled $193,972 (2010 - $104,234), of which $13,332 was payable at December 31, 2011 (2010 - $17,360).

Administrative expenses for the year ended December 31, 2011 totaled $213,712 (2010 - $81,342). As part of these expenses, the Fund is paying a general overhead cost to First Paladin Inc. (a company under common control with the Manager). First Paladin Inc. received $10,000 per month plus applicable taxes in 2011 (2010 - $5,000 per month) to cover related administrative salaries, employee benefits, general overhead, and office supplies.

6. TRAILER FEES

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 Transactional Net Assets of the Fund held by unitholders in accounts with investment dealers. For the year ended December 31, 2011, the Fund recorded no expense relating to trailer fees (2010 - $37,577).

7. INVESTMENTS

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

For the years ended December 31	2011	2010
Proceeds from the sale of investments	$ **23,748,621**	$ 26,878,476
Less cost of investments sold:		
Investments at cost – beginning of year	**40,101,916**	19,718,844
Investments purchased during year	**17,076,941**	45,628,415
Investments at cost – end of year	**(34,598,279)**	(40,101,916)
Cost of investments disposed of during the year	**22,580,578**	25,245,343
Net realized gain (loss) on sale of investments	$ **1,168,043**	$ 1,633,133

8. CASH DISTRIBUTIONS

The Fund pays out monthly cash distributions. For the year ended December 31, 2011 and 2010, the Fund also distributed a portion of its realized capital gains and/or return of capital.

For the years ended December 31	2011	2010
Net investment income for the year	$ **-**	$ 256,980
Capital distributed	**2,402,362**	1,186,836
Cash distributions	$ **2,402,362**	$ 1,443,816
Cash distributions per unit	$ **0.36**	$ 0.36

9. PORTFOLIO TRANSACTION COSTS

For the year ended December 31, 2011, the Fund incurred portfolio transaction costs of $121,888 (2010 – $148,595) and they are recorded separately in the Statements of Operations as an expense for the year.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund aims to provide unitholders with monthly distributions primarily through investments in 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 December 31, 2011 and 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	December 31, 2011 Total Fair Value
Equities	$ 40,789,071	$ -	$ -	$ 40,789,071
Total	$ 40,789,071	$ -	$ -	$ 40,789,071

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 taking 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 income trust prices on the Energy Index had increased or decreased by 10.0%, all other variables held constant, the net assets of the Fund would increase or decrease by 8.6% respectively (2010 - 9.7%). 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.

11. REGISTRATION RISK

On July 7, 2011, Staff (the "Staff") of the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and a Statement of Allegations against the Manager and its President, in which they allege amongst other things that the use of the assets of Crown Hill Fund to finance the acquisition (the "Acquisition") of the administration contracts of the Citadel Group of Funds in June 2009 was contrary to Ontario securities law and the public interest. On August 8, 2011, the Manager and its President attended a hearing before the Commission and requested the earliest available hearing dates to address the allegations made by the Staff. The Staff resisted setting hearing dates and the presiding Commissioner ordered that the parties return for a pre-hearing conference on September 21, 2011. This second pre-hearing conference was again reconvened and on October 13, 2011, hearing dates were set with an enforcement proceeding scheduled to start on May 9, 2012. The allegations contained in the Statement of Allegations are unproven. In the event that some or all of the allegations are proven, there is a risk to the Fund that the Manager or its President may lose its registration to act on behalf of the Fund, temporarily or until the termination date of the Fund. While the Manager believes this to be unlikely, in the event it were to occur, the Manager would make arrangements such that the Fund would not be materially adversely affected.

12. CAPITAL MANAGEMENT

The Fund's capital consists solely of Unitholders' equity. The 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.

13. SUBSEQUENT EVENTS

Warrant Offering

On September 27, 2011, the Fund announced that it had filed a final short form prospectus relating to its warrant offering. Each unitholder of record on October 7, 2011 received one new warrant for each unit held. A total of 6,366,249 warrants were issued. Each warrant entitled the unitholder to purchase a new unit upon payment of the subscription price of $5.00. Warrants could be exercised at any time before the earlier of i) March 1, 2012, or ii) such date which is 20 business days from the date the embedded call feature in the warrants is exercised by the Fund in accordance with the terms of the warrant offering.

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.

As at December 31, 2011, 1,214,058 warrants were exercised for total proceeds of $5,948,884. On March 2, 2012, upon completion of the warrant offering program, 6,366,249 warrants were exercised for total proceeds of $31,194,620.

Normal Course Issuer Bid Program

Effective November 21, 2011, the Fund renewed its normal course issuer bid program to permit the Fund to purchase outstanding units on the TSX from time to time. The Fund may purchase units in the market for cancellation if the Manager determines that such purchases provide liquidity to unitholders. Under the normal course issuer bid program, the Fund may purchase up to 637,040 units, representing approximately 10% of the public float of 6,370,399 units. Additionally, the Fund may not purchase more than 127,808 units in any 30-day period, representing 2% of the issued and outstanding units. If these purchases are made, they will be made in accordance with applicable regulations over a twelve-month period ending November 20, 2012. Units purchased will be cancelled. Effective March 28, 2012, the normal course issuer bid was amended to increase the number of transferable, redeemable units that may be purchased under the bid from 637,040 units to 1,284,988 units, being 10% of the public float of the issued and outstanding units as of March 23, 2012. The number of units purchased under the normal course issuer bid program from November 21, 2011 to March 30, 2012 was 400,500 units with a weighted average price paid of $5.07 per unit.

Partial Redemption Feature

On February 14, 2012, the Fund announced that up to 1,000,000 units could be redeemed on March 20, 2012 for an amount per unit equal to the transactional net asset value per unit as of March 15, 2012. Beneficial holders of units had to submit their request to redeem units by no later than March 14, 2012. Requests for redemptions were oversubscribed and all 1,000,000 units were redeemed. The units were redeemed on a pro rata basis at a redemption price of $5.85 per unit.

Fund Merger with Citadel SMaRT Fund

On February 15, 2012, Crown Hill, the administrative agent of Citadel SMaRT Fund (“SMaRT”) and the Manager of Energy announced that, subject to regulatory and other approvals, SMaRT would merge (the “Merger”) into Energy on March 23, 2012 (the “Effective Date”).

The Merger was effected using an exchange ratio calculated as the net asset value per unit of SMaRT divided by the net asset value per unit of Energy, each determined as at the close of trading on the TSX on the business day immediately prior to the Effective Date. Unitholders of SMaRT received 3.074 units of Energy. As a result of the Merger, 1,534,254 additional units were issued in Energy.

Requisition Order

On January 25, 2012, Crown Hill announced that it had received a purported requisition for a meeting of unitholders of the Fund. After review, the Trustee and its legal counsel determined that, for a number of reasons, the requisition was not valid.

On January 30, 2012, Crown Hill announced that the Fund had filed an application with the Ontario Securities Commission (“OSC”) under section 104 of the Securities Act to address the trading undertaken in the units of the Fund by a group of dissident unitholders apparently guided by CIBC Wood Gundy prior to the dissidents delivering a requisition to hold a unitholder meeting.

Trading records show that the dissident unitholder group acquired nearly its entire announced position of 1.85 million units since October 25, 2011 for the apparent purpose of requisitioning a meeting. While acquiring this position, the dissident group did not disclose it had acquired more than 20% of the Fund’s units, well above the required limit for disclosure. The dissident unitholders requested a unitholder meeting for the stated purpose of holding a vote to appoint a new manager and trustee to pursue an undisclosed agenda.

The Trustee asked the OSC to determine whether: i) the individual respondents acted jointly or in concert in acquiring the Fund units and requisitioning the meeting which would mean they repeatedly breached the takeover provisions of the Securities Act; ii) the individual respondents failed to comply with the early warning disclosure requirements of Part XX of the Act; iii) while in a special relationship with the Fund, the individual respondents traded units when they possessed material information that was not generally disclosed to the public, contrary to section 76 of the Act, and; iv) the OSC should exercise its public interest jurisdiction to prevent the individual respondents from taking advantage of their breaches of Ontario securities laws which, if permitted, would cause serious damage to the Fund, would be unfairly prejudicial to, and abusive of, the other unitholders of the Fund who sold their units to the individual respondents without knowledge of the proposed takeover, and would be contrary to the public interest.

Specifically, the Trustee sought OSC orders: i) declaring that the individual respondents have not complied with the requirements of Part XX of the Act; ii) declaring that the individual respondents have traded in the units of the Fund, contrary to section 76 of the Act; iii) cease trading the securities of the Fund held by the respondents; iv) removing the exemptions available under Ontario Securities law from the respondents, and; v) restraining the respondents from providing a notice of meeting, proxy circular, or any other form of proxy solicitation to unitholders of the Fund.

On February 10, 2012, Crown Hill announced that the Fund had been advised that a number of unitholders withdrew their support for a requisition to hold a unitholder meeting. Those unitholders held more than 50% of the units supporting the requisition. As a result, the requisition no longer has the minimum unitholder support required under the Fund’s Declaration of Trust and the meeting will not proceed.

The Trustee has therefore withdrawn its previously announced application to the OSC under section 104 of the Securities Act. Currently, the matter remains outstanding.

14. COMPARATIVE NUMBERS

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

CORPORATE INFORMATION

MANAGER/TRUSTEE
Crown Hill Capital Corporation
1300 Yonge Street, Suite 300
Toronto, Ontario M4T 1X3

Telephone: 416-361-9673
Toll Free: 1-877-261-9674
Fax: 416-361-0634

Website: www.crownhill.ca
Email: investors@crownhill.ca

LEGAL COUNSEL
McMillan LLP
Brookfield Place, Suite 4400
181 Bay Street
Toronto, Ontario M5J 2T3

AUDITOR
Ernst & Young LLP
Ernst & Young Tower
P.O. Box 251, 222 Bay Street
Toronto, Ontario M5K 1J7

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

INVESTMENT MANAGER
Galileo Global Equity Advisors Inc.
161 Bay Street, Suite 4730
Toronto, Ontario M5J 2S1

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 and Chief Compliance Officer
Robert Parent – Chief Financial Officer
Kevin Ho – Vice-President, Finance

CUSTODIAN
CIBC Mellon Global Securities Services Company
320 Bay Street
Toronto, Ontario M5H 4A6

TRANSFER AGENT
Valiant Trust Company
130 King Street West, Suite 710
PO Box 34
Toronto, Ontario M5X 1A9

Crown Hill Capital Corporation

1300 Yonge Street, Suite 300, Toronto, ON M4T 1X3
Tel: (877) 261-9674 | Fax: (416) 361-0634
Website: www.crownhill.ca