ENERGY INCOME FUND

SEMI-ANNUAL REPORT 2012

(UNAUDITED)

JUNE 30, 2012

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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 periods ended	June 30, 2012	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Net assets per unit [1]	$ **4.92**	$ 6.35	$ 6.80	$ 5.85	$ 4.06	$ 5.12
Market price per unit [1]	$ **3.88**	$ 5.07	$ 5.66	$ 5.38	$ 3.65	$ 4.80
Trading premium (discount)	**(21.1)%**	(20.1)%	(16.8)%	(8.5)%	(10.0)%	(6.3)%
Cash distributions per unit	$ **0.18**	$ 0.36	$ 0.36	$ 0.45	$ 0.90	$ 0.90
Trailing yield [2]	**9.3%**	7.1%	6.4%	8.4%	24.7%	18.8%
Market capitalization ($ millions)	$ **49.43**	$ 37.81	$ 39.82	$ 24.30	$ 19.40	$ 34.80
Net assets ($ millions)	$ **62.62**	$ 47.34	$ 47.86	$ 26.43	$ 21.60	$ 37.10

(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 22, 2012

This interim report for the period ended June 30, 2012 includes both the interim management report of fund performance, containing financial highlights, and the unaudited interim 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 the Manager by calling 416-361-9673 or toll free 1-877-261-9674, by writing to the Manager at Crown Hill Capital Corporation, 1300 Yonge Street, Suite 300, Toronto, Ontario, M4T 1X3, or by visiting www.crownhill.ca. To obtain a copy of the Fund's financial statements or management report of fund performance, unitholders may contact the Manager 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 the Manager directly.

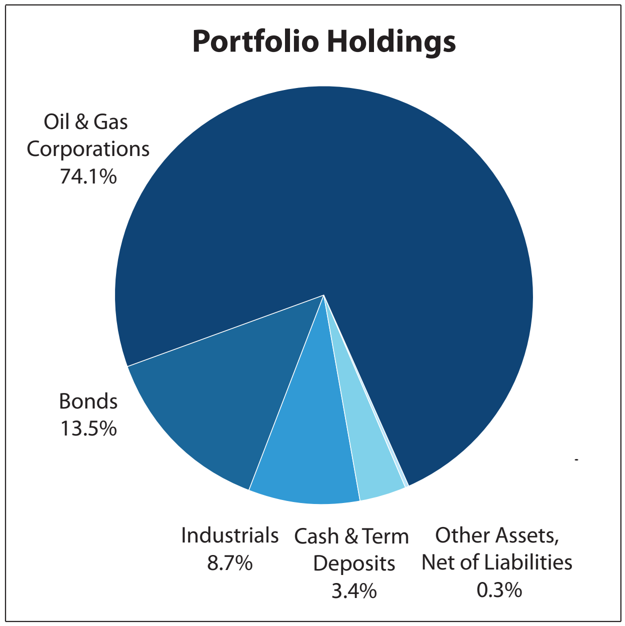
INVESTMENT OBJECTIVES AND STRATEGIES

Energy Income Fund's investment objectives are to provide unitholders with monthly cash distributions, and 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 was 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.

RESULTS OF OPERATIONS



The second quarter was a marked departure from the first three months of 2012 as oil retreated from its first quarter highs and natural gas reversed its underperformance versus oil. Concerns about lower energy demand were driven by fears of a slowing global economy exacerbated by negative headlines from Europe. Oil and gas indices finished the quarter mixed with the S&P/TSX Oil & Gas Index down 7.2% versus West Texus Intermediate Crude Index down 18.6% and natural gas up 14.7%. Lower energy prices led to capital expenditure and dividend cuts by a number of companies with aggressive payouts or growth strategies, adding to downward pressure on the sector as a whole.

While uncertainty and headline risk rule the day for now, energy investments continue to be favoured over the long term. In particular, it is encouraged by the underlying economics and growth prospects of oil companies in the Fund which are sound even at current energy prices. Evidence for this can be found in both the financial statements and in a number of acquisitions completed during the second qurter, including Petronas' $5 billion takeover of Progress Energy. If the stock market cannot accurately value energy companies, the industry will. At this time, an oil and liquid gas weighting continues to be favoured over natural gas names. The Fund currently holds a number of best of breed natural gas levered companies and will continue to be vigilant for gas-weighted opportunities with superior economics and growth prospects.

In the face of uncertainty, the companies held by the Fund continue to generate cash flow, grow their business, and pay dividends to reward investors for their patience. The second quarter was certainly trying, but a focus on these fundamentals and a bullish long-term outlook for oil leave the Investment Manager optimistic looking ahead.

Energy Income Fund's net assets increased to $62.62 million as at June 30, 2012 from $47.34 million as at December 31, 2011 due primarily to proceeds from the exercise of warrants of $25.25 million and fair value of net assets contributed on the merger with Citadel SMaRT Fund of $8.66 million. This was partially offset by a decrease in net assets from operations of $8.76 million, repurchases made under the normal course issuer bid ("NCIB") program of $1.99 million throughout the first half of 2012, redemptions of $5.85 million, and distributions to unitholders of $2.05 million. The Fund's net assets per unit decreased to $4.92 per unit as at June 30, 2012 from $6.35 per unit as at December 31, 2011. The decrease in the Fund's net assets per unit, coupled with its monthly cash distributions, resulted in a negative return of 19.76% over the period.

Excluding the dilutive effect of the warrant offering program, the Fund's net assets per unit decreased to $4.93 per unit as at June 30, 2012 from $6.63 per unit as at December 31, 2011. The decrease in the Fund's net assets per unit, coupled with its monthly cash distributions, resulted in negative total return of 22.93% over the period.

The Fund's market price per unit also decreased to $3.88 per unit as at June 30, 2012 from $5.07 per unit as at December 31, 2011. The decrease in the Fund's market price per unit, coupled with its monthly cash distributions, resulted in a negative return of 19.92% over the period.

Total revenue for the first half of 2012 was $1.27 million compared to $1.15 million for the same period in 2011. This increase in revenue was mostly due to the increase in portfolio holdings from the warrant offering and merger with Citadel SMaRT Fund and a corresponding increase in distribution income received from this larger portfolio. Total expenses for the first six months of 2012 were $1.13 million compared to $0.69 million for the same period in 2011. Again, this increase in expenses was due to a larger portfolio and higher net assets. Management fees, which are calculated in reference to the Fund's net asset value, increased to $0.24 million for the first six months of 2012 compared to $0.19 million for the same period in 2011. Investment management fees, which are also calculated in reference to the Fund's net asset value, increased to $0.14 million for the first six months of 2012 compared to $0.11 million for the same period in 2011. Administrative expenses were $0.10 million for both the first half of 2012 and 2011. In the first half of 2012, the Fund generated net investment income of $0.14

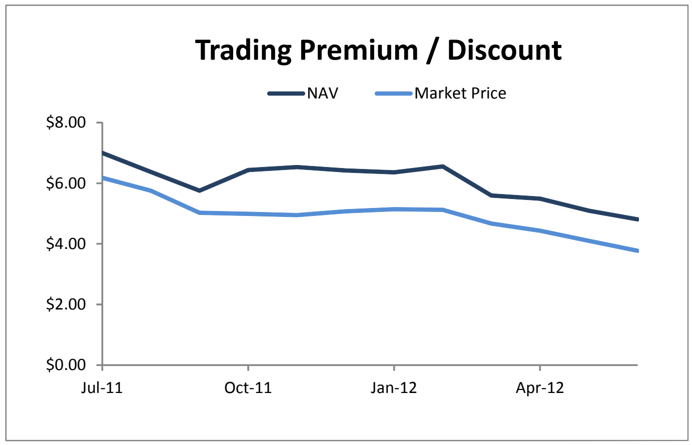
million or $0.01 per unit compared to $0.46 million or $0.07 per unit for the same period in 2011.

The Fund realized gains of $0.51 million on the sale of investments in the first half of 2012 and experienced a change in unrealized depreciation in the value of investments of $9.41 million. In the first half of 2011, the Fund had realized gains on the sale of investments of $1.82 million and experienced a change in unrealized depreciation in the value of investments of $0.22 million. As a result, the Fund experienced a net loss from operations of $8.76 million or a loss of $0.79 per unit for the first six months of 2012 compared to net income from operations of $2.06 million or a gain of $0.31 per unit for the same period in 2011.

For the six-month periods ended June 30, 2012 and 2011, Energy Income 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 2012, the Fund's market price traded at an average discount to its net asset value per unit of 18.8%, compared to an average discount of 14.6% for the same period in 2011. With this discount, the Fund repurchased 410,000 units for cancellation under its NCIB program at an average cost of $4.85 per unit (2011 - 469,500 units at an average cost of $6.12 per unit). The NCIB program, which commenced on October 4, 2010, provides liquidity and market price support for unitholders and permits the Fund to repurchase units in the open market for cancellation.



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, 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 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. A hearing before the Commission commenced in May 2012 and, due to various scheduling issues, is expected to conclude in September 2012. Following the hearing, the Manager will await a decision by the Commission. In the event that the Commission finds in favour of Staff, there is a risk to the Fund that the Manager or its President may lose its registration to act on behalf of the Fund.

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 provided the Fund with additional capital to take advantage of attractive investment opportunities, reduce the management expense ratio, and increase the trading liquidity of the Fund's units. 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 3, 2012 was 7,437,656 units and 10% of the public float was 743,766 units. From January 1, 2012 to June 30, 2012, the Fund repurchased 410,000 units for cancellation.

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.

Normal Course Issuer Bid Program

Effective November 21, 2011, the Fund renewed its NCIB 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 NCIB 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 NCIB 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 NCIB program from January 1, 2012 to June 30, 2012 was 410,000 units with a weighted average price paid of $4.85 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 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 March 22, 2012. Unitholders of SMaRT received 3.074 units of Energy. As a result of the Merger, 1,534,254 additional units were issued by 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 Commission under section 104 of the Ontario Securities Act (the "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 showed 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 Commission 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 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 Commission 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 Commission 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 had the minimum unitholder support required under the Fund's Declaration of Trust and the meeting would not proceed. The Trustee therefore withdrew its previously announced application to the Commission under section 104 of the Act. Currently, the matter remains outstanding.

Unitholder Meeting

On July 17, 2012, the Fund issued a management information circular informing current unitholders of a special meeting to take place on August 7, 2012. The purpose of the special meeting was to: i) provide the right for unitholders to voluntarily elect to receive an unlimited cash redemption of their units at 100% of the net asset value per unit less redemption costs including a fee per unit of 5% of the net asset value per unit plus applicable taxes; ii) implement a series of minority unitholder protections including a requirement that ordinary and extraordinary resolutions require affirmative votes of 50% and 66 2/3% of beneficial holders (as defined in the Declaration of Trust) respectively other than beneficial holders who are "Interested Parties", as defined in the extraordinary resolution attached to the management information circular; iii) amend the provisions relating to the termination and replacement of the Manager; and iv) make a number of other amendments to the Declaration of Trust.

In the special meeting on August 7, 2012, unitholders voted in favour of the extraordinary resolution. On August 16, 2012, the Fund's special redemption price was determined to be $4.78 per unit.

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%. 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 $85,195 of HST paid in 2012, receivable as of the six-month period ended June 30, 2012. For the year ended December 31, 2011, the Fund had HST receivable of $47,981.

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 period ended June 30, 2012, management fees totaled $239,397 (June 30, 2011 - $189,231), of which $35,781 was payable as at June 30, 2012 (June 30, 2011 - $28,162). 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 period ended June 30, 2012 totaled $100,905 (June 30, 2011 - $100,957). 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 $15,000 per month plus applicable taxes for the first half of 2012 (2011 - $10,000 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, 2012 and the past five years as applicable.

Net Assets per Unit ("NAPU")

For the periods ended	**June 30, 2012**	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
NAPU — beginning of period	**$ 6.35**	$ 6.80	$ 5.85	$ 4.06	$ 5.12	$ 6.43
Increase (decrease) from operations:						
Total revenue	**0.11**	0.33	0.38	0.38	0.62	0.68
Total expenses	**(0.10)**	(0.23)	(0.31)	(0.17)	(0.16)	(0.18)
Realized gains (losses)	**0.05**	0.18	0.41	(0.54)	(1.49)	(1.15)
Unrealized gains (losses)	**(0.85)**	(0.19)	1.55	2.53	0.87	0.27
Total increase (decrease) from operations	**$ (0.79)**	$ 0.09	$ 2.03	$ 2.20	$ (0.16)	$ (0.38)
Distributions:						
Return to Unitholders	**0.18**	0.36	0.36	0.45	0.90	0.90
Total distributions	**0.18**	0.36	0.36	0.45	0.90	0.90
NAPU — end of period	**$ 4.92**	**$ 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 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, 2012**	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Total net asset value ($ 000's)	**$ 62,615**	$ 47,339	$ 47,856	$ 26,413	$ 21,593	$ 37,117
Number of units outstanding (000's)	**12,739**	7,458	7,036	4,517	5,322	7,252
Management expense ratio (1)	**3.25%**	3.01%	4.51%	2.95%	2.51%	2.69%
Portfolio turnover ratio (2)	**38.09%**	37.68%	111.38%	108.51%	53.34%	31.92%
Trading expense ratio (3)	**0.43%**	0.27%	0.61%	0.55%	0.40%	0.38%
Closing market price	**$ 3.88**	$ 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 period and is expressed as an annualized percentage of weekly average net asset value during the period.

(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 ratio indicates how actively the Fund's investment manager manages the portfolio investments. There is not necessarily a relationship between a high turnover ratio 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 period.

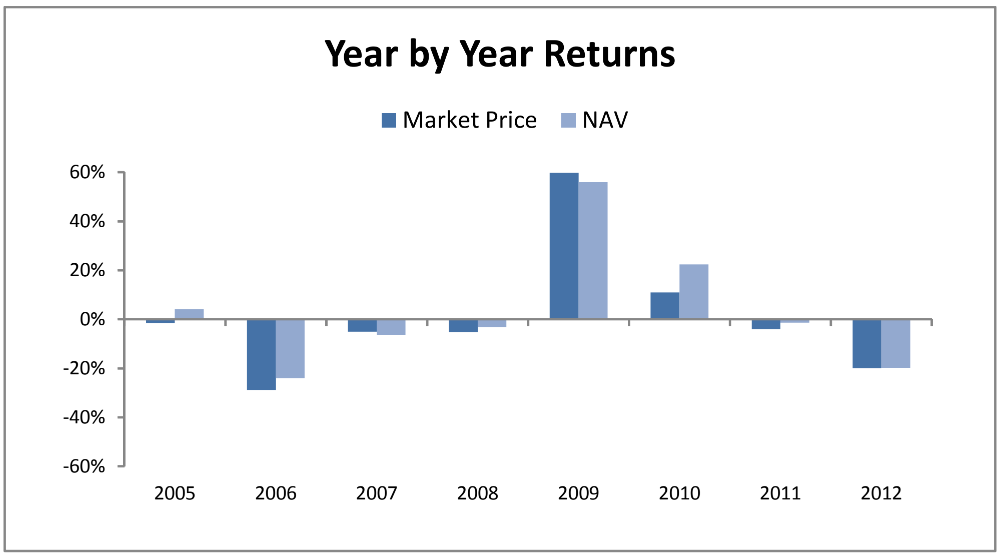
MANAGEMENT FEES

Pursuant to the Amended and Restated Declaration of Trust dated October 4, 2010 and 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 period from inception in October 2005 to June 30, 2012 (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 2012, this represents the year-to-date return, unadjusted for the exercise of warrants, for the six-month period ended June 30.

(2) For 2011 and prior years, this represents the annual return, unadjusted for the exercise of warrants, for the twelve-month period ended December 31.

ANNUAL COMPOUND RETURNS

The following table presents the annual compound returns for Energy Income Fund based on market price and net assets per unit for the periods indicated to June 30, 2012. For the year ended December 31, 2011 and subsequent periods, 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)	(29.33)%	3.77%	1.20%	(3.64)%
Energy Income Fund (net assets)	(24.42)%	7.86%	4.33%	(0.11)%
Energy Income Fund (net assets excluding warrants) (1)	(18.90)%	10.43%	5.81%	(0.95)%
S&P/TSX Capped Energy Index (2)	(28.94)%	(5.35)%	(8.84)%	(4.17)%

(1) *This calculation adjusts for the dilution effect of the warrant distribution.*

(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 June 30, 2012

Total Net Assets: $62,615,240

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 September 30, 2012. Quarterly updates are available at www.crownhill.ca.

Portfolio by Sector	% of Total Net Assets
Oil & Gas Corporations	74.1
Bonds	13.5
Industrials	8.7
Cash & Term Deposits	3.4
Other Assets, Net of Liabilities	0.3
Total Net Assets	100.0 %

TOP HOLDINGS (as a % of Total Net Assets)

Crescent Point Energy Corp.	6.1%
Black Diamond Group Ltd.	6.0%
Vermilion Energy Inc.	5.5%
Athabasca Oil Corp.	5.4%
Bonavista Energy Corp.	4.8%
Baytex Energy Corp.	4.8%
Bonterra Energy Corp.	4.7%
Freehold Royalties Ltd.	4.7%
Gibson Energy Inc.	4.4%
Badger Daylighting Ltd.	3.9%
Pure Energy Services Ltd.	3.5%
Twin Butte Energy Ltd.	3.5%
Canadian Energy Services & Technology Corp.	3.1%
Penn West Petroleum Ltd.	2.7%
Trilogy Energy Corp.	2.6%
Renegade Petroleum Ltd.	2.4%
Whitecap Resources Inc.	2.4%
Spartan Oil Corp.	2.1%
AG Growth International Inc.	1.5%
C&C Energia Ltd.	1.5%
Bankers Petroleum Ltd.	1.3%
Chemtrade Logistics Income Fund	1.2%
Gasfrac Energy Services Inc.	1.2%
Algonquin Power & Utilities Corp.	1.1%
ARC Resources Ltd.	0.9%

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 semi-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, 2012 AND 2011

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"). 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. The significant accounting policies applicable to the Fund are described in Note 2 to the financial statements.

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.

Wayne Pushka
Chief Executive Officer
Crown Hill Capital Corporation

Kevin Ho
Vice-President, Finance
Crown Hill Capital Corporation

August 22, 2012

STATEMENTS OF NET ASSETS

As at		June 30, 2012 (Unaudited)		December 31, 2011
Assets				
Investments at fair value	$	**60,291,405**	$	40,789,071
Cash and cash equivalents		**2,149,818**		1,874,294
Receivable for investments sold		**632,790**		-
Dividends and interest receivable		**285,324**		167,244
Prepaid expenses		**123,540**		69,388
Receivable for warrants exercised		**-**		4,907,110
		63,482,877		47,807,107
Liabilities				
Distributions payable		**382,166**		223,730
Payable for investments purchased		**351,866**		112,537
Accounts payable and accrued liabilities (Note 5)		**133,605**		132,090
		867,637		468,357
Net Assets Representing Unitholders' Equity	$	**62,615,240**	$	47,338,750
Units Outstanding (Note 4)		**12,738,871**		7,457,656
Net Asset per Unit (Note 2)	$	**4.92**	$	6.35

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

Wayne Pushka
Chief Executive Officer

Kevin Ho
Vice-President, Finance

STATEMENTS OF OPERATIONS

For the six-month periods ended June 30 (Unaudited)		2012		2011
Investment Income				
Distribution income	$	**1,192,643**	$	1,137,035
Interest income		**81,123**		16,462
Total Investment Income		**1,273,766**		1,153,497
Expenses				
Portfolio transaction costs (Note 7)		**263,883**		37,134
Management fees (Note 5)		**239,397**		189,231
Legal fees		**205,506**		69,511
Investment management fees (Note 5)		**136,798**		108,132
Administrative expenses (Note 5)		**100,905**		100,957
Regulatory and listing expenses		**54,842**		67,350
Custody, valuation, and transfer fees		**31,036**		33,548
Audit and review fees		**24,688**		51,375
Unitholder servicing expenses		**22,199**		7,140
Insurance expenses		**17,397**		5,864
Trustee fees		**14,843**		2,493
Independent review committee fees		**11,347**		7,510
Board fees		**9,993**		8,804
Net Expenses		**1,132,834**		689,049
Net Investment Income		**140,932**		464,448
Net Realized Gain on Sale of Investments (Note 6)		**511,857**		1,821,840
Change in Unrealized Depreciation in Value of Investments		**(9,411,532)**		(224,878)
Increase (Decrease) in Net Assets from Operations	$	**(8,758,743)**	$	2,061,410
Increase (Decrease) in Net Assets from Operations per Unit (1)	$	**(0.79)**	$	0.31

(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 six-month periods ended June 30 (Unaudited)	2012	2011
Net Assets — Beginning of Period	$ **47,338,750**	$ 47,856,029
Operations		
Net investment income	**140,932**	464,448
Net realized gain on sale of investments	**511,857**	1,821,840
Net change in unrealized depreciation in value of investments	**(9,411,532)**	(224,878)
	(8,758,743)	2,061,410
Capital Unit Transactions (Note 3)		
Proceeds from exercise of warrants	**25,245,735**	-
Fair value of net assets contributed on merger	**8,661,627**	-
Proceeds from distribution reinvestment plan	**29,157**	26,935
Paid for units redeemed - regular redemption	**(7,255)**	(14,382)
Units cancelled under the normal course issuer bid	**(1,989,825)**	(2,814,312)
Paid for units redeemed - special redemption	**(5,850,000)**	-
	26,089,439	(2,801,759)
Distributions to Unitholders		
Return to unitholders	**(2,054,206)**	(1,215,865)
Increase (Decrease) in Net Assets for the Period	**15,276,490**	(1,956,214)
Net Assets — End of Period	$ **62,615,240**	$ 45,899,815
Distributions per Unit	$ **0.18**	$ 0.18

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

STATEMENTS OF INVESTMENTS

	As at June 30, 2012 (Unaudited)				As at December 31, 2011			
	Number of Units/ Shares	**Cost**	**Fair Value**	**% of Net Assets**	Number of Units/ Shares	Cost	Fair Value	% of Net Assets
Oil & Gas Corporations [1]								
Algonquin Power & Utilities Corp.	**100,000**	**$ 613,895**	**$ 658,000**	**1.1**	-	$ -	$ -	-
Athabasca Oil Corp.	**300,000**	**3,239,472**	**3,354,000**	**5.4**				
ARC Resources Ltd.	**25,500**	**606,790**	**582,420**	**0.9**	-	-	-	-
Badger Daylighting Ltd.	**100,000**	**2,001,522**	**2,464,000**	**3.9**	115,000	2,271,228	2,435,700	5.1
Bankers Petroleum Ltd.	**450,000**	**674,070**	**792,000**	**1.3**	120,000	723,459	529,200	1.1
Baytex Energy Corp.	**70,000**	**2,478,006**	**2,999,500**	**4.8**	60,000	2,015,976	3,414,600	7.2
Bonavista Energy Corp.	**190,000**	**4,672,285**	**3,022,900**	**4.8**	140,000	3,576,776	3,647,000	7.7
Bonterra Energy Corp.	**65,000**	**2,666,221**	**2,942,550**	**4.7**	61,300	2,359,847	3,146,529	6.6
C&C Energia Ltd.	**164,100**	**1,258,412**	**909,114**	**1.5**	115,000	866,419	856,750	1.7
Canadian Energy Services & Technology Corp.	**200,000**	**2,158,074**	**1,930,000**	**3.1**	160,000	1,651,024	1,782,400	3.8
Celtic Exploration Ltd.	**-**	**-**	**-**	**-**	45,000	1,107,778	1,024,650	2.2
Crescent Point Energy Corp.	**100,000**	**3,681,115**	**3,792,000**	**6.1**	100,000	3,681,115	4,483,000	9.5
Essential Energy Services Inc.	**325,000**	**827,058**	**578,500**	**0.9**	-	-	-	-
Freehold Royalties Ltd.	**160,000**	**2,901,772**	**2,929,600**	**4.7**	190,000	3,445,854	3,687,900	7.8
Gasfrac Energy Services Inc.	**150,000**	**1,087,206**	**457,500**	**0.7**	-	-	-	-
Gibson Energy Inc.	**135,000**	**2,643,738**	**2,778,300**	**4.4**	-	-	-	-
New Zealand Energy Corp.	**181,300**	**545,275**	**310,023**	**0.4**	-	-	-	-
Penn West Petroleum Ltd.	**125,000**	**2,693,846**	**1,705,000**	**2.7**	160,000	3,481,354	3,225,600	6.8
Petrodorado Energy Ltd.	**500,000**	**98,800**	**80,000**	**0.1**	-	-	-	-
Petrofrontier Corp.	**173,200**	**273,656**	**119,508**	**0.2**	-	-	-	-
Petronova Inc.	**500,000**	**477,685**	**200,000**	**0.3**	-	-	-	-
Phoenix Energy Services Corp.	**-**	**-**	**-**	**-**	100,000	990,947	1,060,000	2.2
Pure Energy Services Ltd.	**300,000**	**2,453,079**	**2,199,000**	**3.5**	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	0.1
Renegade Petroleum Ltd.	**583,700**	**2,147,525**	**1,517,620**	**2.4**	350,000	1,148,351	1,015,000	2.1
Spartan Oil Corp.	**375,000**	**1,152,965**	**1,297,500**	**2.1**	350,000	869,569	1,169,000	2.5
Trilogy Energy Corp.	**70,000**	**2,056,118**	**1,645,700**	**2.6**	-	-	-	-

STATEMENTS OF INVESTMENTS *(Continued)*

	As at June 30, 2012 (Unaudited)				As at December 31, 2011			
	Number of Units/ Shares	**Cost**	**Fair Value**	**% of Net Assets**	Number of Units/ Shares	Cost	Fair Value	% of Net Assets
Oil & Gas Corporations (continued) (1)								
Twin Butte Energy Ltd.	**900,000**	**$ 2,390,114**	**$ 2,178,000**	**3.5**	-	$ -	$ -	-
Vermilion Energy Inc.	**75,000**	**2,900,819**	**3,425,250**	**5.5**	60,000	2,182,215	2,711,400	5.8
Whitecap Resources Inc.	**224,200**	**2,194,878**	**1,506,624**	**2.4**	-	-	-	-
Total Oil & Gas Corporations		**50,904,794**	**46,382,951**	**74.1**		32,181,685	36,181,571	76.4
Industrials								
AG Growth International	**26,100**	**1,055,200**	**952,389**	**1.5**				
Black Diamond Group Ltd.	**165,000**	**2,250,398**	**3,763,650**	**6.0**	250,000	2,416,594	4,607,500	9.7
Chemtrade Logistics Income Fund	**50,000**	**773,399**	**772,500**	**1.2**				
Total Industrials		**4,078,997**	**5,488,539**	**8.7**		2,416,594	4,607,500	9.7
Total Equities		**54,983,791**	**51,871,490**	**82.8**		34,598,279	40,789,071	86.1
Bonds								
Gasfrac Energy Services Inc., 7.000%, February 28, 2017	**800,000**	**816,250**	**719,600**	**1.2**	-	-	-	-
Government of Canada, 1.500%, November 1, 2013	**7,150,000**	**7,183,792**	**7,195,690**	**11.5**	-	-	-	-
Just Energy Group Inc., 5.750%, September 30, 2018	**550,000**	**528,312**	**504,625**	**0.8**	-	-	-	-
Total Bonds		**8,528,354**	**8,419,915**	**13.5**		-	-	-
Other Assets, Net of Liabilities			**2,323,835**	**3.7**			6,549,679	13.9
Total Net Assets			**$62,615,240**	**100.0**			$47,338,750	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

June 30, 2012

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 (the "Manager") and trustee (the "Trustee").

On February 15, 2012, Crown Hill, the administrative agent of Citadel SMaRT Fund ("SMaRT") and the Manager of Energy, announced that SMaRT would merge (the "Merger") into Energy on March 23, 2012. 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 March 22, 2012. Unitholders of SMaRT received 3.074 units of Energy. As a result of the Merger, 1,534,254 additional units were issued by Energy.

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 supported 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 incorporates 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

Transaction costs are expensed as incurred.

(f) Application of CICA Handbook Section 3855

For the purpose 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 the Fund's investments that trade in an active market continue 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 June 30, 2012	Net Assets	Net Assets per Unit
Transactional Net Assets	$ 62,804,015	$ 4.93
Difference as a result of Section 3855	(188,775)	(0.01)
Net Assets	$ 62,615,240	$ 4.92

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

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 Statement of Investments and are included in the total value on the Statements of Net Assets in Investments at fair value.

As of June 30, 2012, the Fund had an aggregate value of securities on loan of $21,279,541 (December 31, 2011 - $17,669,125) and corresponding aggregate value of collateral for loan of $22,499,430 (December 31, 2011 - $18,596,614).

(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.

Units Issued and Outstanding

For the periods ended	**June 30, 2012**	December 31, 2011
Trust units – beginning of period	**7,457,656**	7,035,664
Issued under DRIP	**6,393**	10,282
Issued under merger (Note 1)	**1,534,254**	-
Warrants exercised	**5,152,191**	1,214,058
Units repurchased or cancelled	**(410,000)**	(799,700)
Units redeemed	**(1,001,623)**	(2,648)
Trust units – end of period	**12,738,871**	7,457,656

Warrants Issued and Outstanding

For the periods ended	**June 30, 2012**	December 31, 2011
Balance of warrants outstanding – beginning of period	**5,152,191**	-
Warrants issued during the period	**-**	6,366,249
Warrants exercised during the period	**(5,152,191)**	(1,214,058)
Balance of warrants outstanding - end of period	**-**	5,152,191

The weighted average number of units outstanding for the six months ended June 30, 2012 was 11,121,417 units (June 30, 2011 – 6,637,082 units). For the period January 1, 2012 to June 30, 2012, the Fund repurchased 410,000 units for cancellation at an average cost of $4.85 per unit.

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. On March 2, 2012, upon completion of the warrant offering program, 6,366,249 warrants were exercised for total proceeds of $31,194,620.

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, 2012, a total of 6,393 units were issued under the DRIP (year ended December 31, 2011 - 10,282 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.

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 period ended June 30, 2012, management fees totaled $239,397 (June 30, 2011 - $189,231), of which $35,781 was payable as at June 30, 2012 (June 30, 2011 - $28,162). Galileo Global Equity Advisors Inc. is the investment manager (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 period ended June 30, 2012, investment management fees totaled $136,798 (June 30, 2011 - $108,132), of which $20,446 was payable as at June 30, 2012 (June 30, 2011 - $16,973).

Administrative expenses for the period ended June 30, 2012 totaled $100,905 (June 30, 2011 - $100,957). 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 $15,000 per month plus applicable taxes in 2012 (2011 - $10,000 per month) to cover related administrative salaries, employee benefits, general overhead, and office supplies.

6. INVESTMENTS

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

For the periods ended June 30	**2012**	2011
Proceeds from the sale of investments	$ **23,227,270**	$ 10,984,452
Less cost of investments sold:		
Investments at cost – beginning of period	**34,598,279**	40,101,916
Investments purchased during the period	**51,629,279**	6,270,697
Investments at cost – end of period	**(63,512,145)**	(37,210,001)
Cost of investments disposed of during the period	**22,715,413**	9,162,612
Net realized gain on sale of investments	$ **511,857**	$ 1,821,840

7. PORTFOLIO TRANSACTION COSTS

For the period ended June 30, 2012, the Fund incurred portfolio transaction costs of $263,883 (period ended June 30, 2011 – $37,134). 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 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, 2012, and December 31, 2011 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, 2012 Total Fair Value
Equities	$ 51,871,490	$ -	$ -	$ 51,871,490
Bonds	-	8,419,915	-	8,419,915
Total	$ 51,871,490	$ 8,419,915	$ -	$ 60,291,405

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

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 income trust 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 8.3%, 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. REGISTRATION RISK

On July 7, 2011, Staff of the Ontario Securities Commission ("Staff") 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 Ontario Securities Commission (the "Commission") and requested the earliest available hearing dates to address the allegations made by Staff. A hearing before the Commission commenced in May 2012 and, due to various scheduling issues, is expected to conclude in September 2012. Following the hearing, the Manager will await a decision by the Commission.

In the event that the Commission finds in favour of Staff, there is a risk to the Fund that the Manager or its President may lose its registration to act on behalf of the Fund.

10. 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 Commission under section 104 of the Ontario Securities Act (the "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 showed 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 Commission 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 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 Commission 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 Commission 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 had the minimum unitholder support required under the Fund's Declaration of Trust and the meeting would not proceed. The Trustee therefore withdrew its previously announced application to the Commission under section 104 of the Act. Currently, the matter remains outstanding.

11. NORMAL COURSE ISSUER BID PROGRAM

Effective November 21, 2011, the Fund renewed its normal course issuer bid ("NCIB") 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 NCIB 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 NCIB program 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 NCIB program from January 1, 2012 to June 30, 2012 was 410,000 units with a weighted average price paid of $4.85 per unit.

12. 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.

13. 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.

14. SUBSEQUENT EVENT

Unitholder Meeting

On July 17, 2012, the Fund issued a management information circular informing current unitholders of a special meeting to take place on August 7, 2012. The purpose of the special meeting was to: i) provide the right for unitholders to voluntarily elect to receive an unlimited cash redemption of their units at 100% of the net asset value per unit less redemption costs including a fee per unit of 5% of the net asset value per unit plus applicable taxes; ii) implement a series of minority unitholder protections including a requirement that ordinary and extraordinary resolutions require affirmative votes of 50% and 66 2/3% of beneficial holders (as defined in the Declaration of Trust) respectively other than beneficial holders who are "Interested Parties" as defined in the extraordinary resolution attached to the management information circular; iii) amend the provisions relating to the termination and replacement of the Manager; and iv) make a number of other amendments to the Declaration of Trust.

In the special meeting on August 7, 2012, unitholders voted in favour of the extraordinary resolution. On August 16, 2012, the Fund's special redemption price was determined to be $4.78 per unit.

15. COMPARATIVE NUMBERS

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

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John Campbell
Andrew Fleming
Mark Arthur

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Wayne Pushka – Director
Michael Burns – Independent Director
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Wayne Pushka – Chief Executive Officer and Chief Compliance Officer
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