MBN CORPORATION

Annual Report 2011

MIDDLEFIELD
TSX-LISTED FUNDS

MIDDLEFIELD CORPORATE PROFILE

Since its inception in 1979, the Middlefield Group, with over $3 billion in assets under management, has established a strong reputation as a creator and manager of unique investment products designed to balance risk and return to meet the demanding requirements of investment advisors and their clients. These financial products include mutual funds, real estate and closed-end, publicly traded income funds as well as private and public resource funds and venture capital assets.

Many of Middlefield's investment products are designed and managed by our own professionals while some involve strategic partnerships with other "best-in-class" firms that bring unique value to our product offerings. Our investment team comprises portfolio managers, analysts and traders. Guardian Capital LP, one of the pioneers in developing income products, acts as Co-Advisor on several of our income funds while Groppe, Long & Littell, based in Houston and one of the world's leading forecasters of oil and natural gas prices, acts as Special Advisor with respect to the strategic outlook for the energy sector.

Looking ahead, Middlefield remains committed to the goal of developing new and unique investment products to assist investment advisors in providing added value for their clients.

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A Note on Forward Looking Statements

This document may contain forward looking statements, including statements regarding: the Fund, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by the Fund; and the performance of investments, securities, issuers or industries in which the Fund may from time to time invest. Forward looking statements include statements that are predictive in nature, that depend upon or refer to future results, events, circumstances, expectations and performance, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and other similar wording. Forward looking statements are not historical facts, but reflect the Fund's current beliefs as of the date of this document regarding future results, events, circumstances, expectations or performance and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors. Forward looking statements are not guarantees of future performance, and actual results, events, circumstances, expectations or performance could differ materially from those expressed or implied in any forward looking statements contained in this document. Factors which could cause actual results, events, circumstances, expectations or performance to differ materially from those expressed or implied in forward looking statements include, but are not limited to: general economic, political, market and business factors and conditions; commodity price fluctuations; interest and foreign exchange rate fluctuations; global equity and capital markets; the financial condition of each issuer in which the Fund invests; the effects of competition in the industries or geographic areas in which the Fund may invest; statutory and regulatory developments; unexpected judicial or regulatory proceedings; and catastrophic events. Readers are cautioned that the foregoing list of factors is not exhaustive and to avoid placing undue reliance on forward looking statements due to the inherent uncertainty of such statements. The Fund does not undertake, and specifically disclaims, any obligation to update or revise any forward looking statements, whether as a result of new information, future developments, or otherwise.

MMF

MIDDLEFIELD MUTUAL FUNDS

AWARD WINNING
Income Plus Mutual Fund

LIPPER
FUND AWARDS 2012
CANADA

#1 NEUTRAL BALANCED MUTUAL FUND OVER 3-YEARS

Middlefield Income Plus Class

LIPPER
FUND AWARDS 2012
CANADA

#1 NEUTRAL BALANCED MUTUAL FUND OVER 10-YEARS

Middlefield Income Plus Class

(L-R) **ANDY NASR**, Executive Director and Portfolio Manager, **NANCY THAM**, Managing Director, Sales and Marketing, **DENNIS DA SILVA**, Managing Director, Mutual Funds and Senior Portfolio Manager, **DEAN ORRICO**, President and CIO, **ROB LAUZON**, Managing Director, Western Canada, **VINCE GRECO**, Senior Trader, Western Canada, **JEREMY BRASSEUR**, Managing Director, Corporate Development, and **JASON MAYER**, Managing Director and Portfolio Manager

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MIDDLEFIELD GROUP®

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www.middlefield.com

2011 REVIEW AND OUTLOOK

The Middlefield family of exchange-listed funds, which is provided at the end of this report, currently comprises 13 funds, 12 of which trade on the Toronto Stock Exchange and one of which is based in Jersey, Channel Islands and trades on the London Stock Exchange. While the various funds differ by asset mix, virtually all are primarily focused on Canadian equity income securities.

The S&P/TSX Composite Index recorded a total return of -8.7% for the year ended December 31, 2011. While the broader market declined, our focus on dividend paying securities strongly benefited our income-oriented funds. Most notably, COMPASS Income Fund produced a total return of 18.7% in 2011 and has delivered a compound annual total return of 12.4% since inception in 2002. YIELDPLUS and INDEXPLUS Income Funds also outperformed the market generating total returns of 10.6% and 8.4% in 2011 and compound annual total returns of 7.7% and 13.4% since inception, respectively. In 2011, we successfully launched three new TSX-listed funds that leverage our expertise in equity income investing, including REIT IndexPlus Income Fund, IndexPlus Dividend Fund and Energy IndexPlus Dividend Fund, raising in excess of $350 million in aggregate.

Although the economic challenges that weighed on the markets during 2011 are likely to linger for several quarters, we expect global growth to accelerate during the latter part of 2012. In North America, liquidity is plentiful, profit margins are high and inventory levels are lean. Weak economic data is not unusual during a soft landing and we would be more concerned if it were accompanied by persistent declines in global trade volumes, which have yet to materialize. Moreover, U.S. employment is modestly improving and corporate balance sheets are remarkably strong, with non-financial companies in the S&P500 sitting on over $1 trillion of cash, representing an increase of approximately 70% since 2007. Notwithstanding the likelihood of a short-lived European recession, we expect the U.S. and emerging economies, which have the capacity and ability to stimulate growth through policy easing, to lead global-reacceleration during 2012. For example, although China's industrial production is expected to slow, consumer inflation is moderating and the government has the ability to spur lending by lowering reserve requirements for banks and reducing benchmark interest rates, which were increased five times during the past two years.

While we remain positive on the long-term outlook for oil and natural gas, macroeconomic uncertainty and volatility precipitated a disconnect between the performance of commodity prices and resource-related equities in 2011. More specifically, WTI Cushing crude oil prices rose by 8.2% to over $98 by the end of year while the S&P/TSX Capped Energy Index declined 14.8%. By comparison, our ACTIVENERGY Income Fund generated a total return of 2.7% during 2011 and has produced an annualized total return of 10.3% since inception in 2004. We expect oil to average approximately $90 per barrel over the next 12 months as global demand begins to recover. Long-term, oil prices are expected to average over $100 per barrel as global production is peaking and new supply is expensive and challenging to develop.

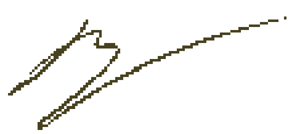
With respect to natural gas, we expect prices to appreciate significantly over the next few years. Fundamentals continue to suggest that shale gas production will not increase enough to offset declines in conventional, Gulf of Mexico and associated gas production. Gas prices have been depressed by regulations that encouraged many producers to aggressively drill on their properties to secure leases, an injection of foreign capital that subsidized unprofitable shale drilling and unusually warm weather in North America. Recent data suggests that shale gas production in prominent regions, such as the Haynesville and Barnett, is beginning to decline as the backlog of wells awaiting fracking appears to have disappeared. In addition, as a result of very low current prices, many producers are finally announcing production cuts and drilling activity has been slowing, which could cause excess storage in North America to be absorbed in the latter half of the year, thereby positively impacting natural gas prices.

We believe that gold prices will remain in the range of US$1,500/oz to US$1,600/oz based upon emerging market demand for physical gold and concerns that macroeconomic headwinds could hinder global economic expansion. Growth in developing economies should continue during 2012, albeit at a more measured pace, which will have a positive impact on the demand for base metals and other commodities. Supply constraints will support higher commodity prices as a number of sectors are facing significant challenges, including (1) the difficulty of finding new material deposits, (2) civil unrest, (3) environmental opposition, and (4) the threat of nationalization or fiscal/royalty changes in some of the most promising regions for resource development.

The Canadian real estate sector performed remarkably well in 2011, supported by a widespread improvement in rents and occupancy. Our newly launched REIT IndexPlus Income Fund is expected to benefit from strong fundamentals in the Canadian real estate sector. We believe REITs will remain an attractive asset class due to their ability to offer investors a tax-efficient source of steady income and the potential for stable long-term total returns. The relative strength of the Canadian economy and low unemployment should continue to support domestic and international demand for commercial real estate in Canada. Furthermore, life insurance companies and pension funds are expected to continue to increase their allocations to real estate relative to volatile publicly listed equities and low-yielding fixed income alternatives. We believe that continued access to low-cost capital and strong fundamentals will support cash flows and drive dividend increases in 2012.

Our funds are well positioned to take advantage of attractive investment opportunities among natural resource, real estate and income-oriented issuers, which should continue to perform well in a low interest rate environment and benefit from a demographic demand for income. Historically, dividend-paying companies have demonstrated less volatility and significantly outperformed non-dividend paying stocks. As demonstrated by our longstanding track record, Middlefield remains committed to focusing on and investing in equity income securities, with a bias to high quality companies with low debt and stable levels of dividends. Moreover, we continue to believe that Canada's well-capitalized banking system, stable economy and abundance of natural resources continues to provide investors with very attractive investment opportunities.

Dean Orrico
President and
Chief Investment Officer



Robert F. Lauzon
Managing Director and
Senior Portfolio Manager

This annual management report of fund performance contains financial highlights and should be read in conjunction with the complete audited annual financial statements of the investment fund that follow this report.

Unitholders may contact us by calling 1-888-890-1868, by writing to us at Middlefield Group at one of the addresses on the back cover or by visiting our website at www.middlefield.com to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

The investment objective of MBN Corporation (formerly, Middlefield Tactical Energy Corporation) (the "Fund") is to achieve capital appreciation of the Fund's investment portfolio (the "Portfolio"). The Fund invests predominantly in securities of issuers operating in the Canadian resource sector, with a significant allocation to those issuers operating in the oil and gas industry.

RISK

The Fund is exposed to several risks that may affect its performance. The overall risk of the Fund is as described in its prospectus dated July 24, 2007. During the past year, the overall risk level of the Fund may have been impacted as follows:

Market Risk

Market risk describes the Fund's exposure to volatility in the market value of its underlying securities. In 2011, equity markets around the world continued to be impacted by concerns over sovereign debt. Political instability in Northern Africa and the Middle East created volatility in commodity prices which also led to increased market risk. The Fund seeks to mitigate risk through active management, portfolio diversification and through consultation with Groppe, Long & Littell ("Groppe"), an oil and natural gas consulting firm based in Houston, who acts as a Special Advisor to Middlefield Capital Corporation ("MCC" or the "Advisor"). Groppe provides analysis of the global and political forces impacting the prices of oil and natural gas.

RESULTS OF OPERATIONS

Investment Performance

The net assets of the Fund decreased from $7.5 million at December 31, 2010 to $6.9 million at December 31, 2011 and on a per equity share basis decreased from $6.64 at December 31, 2010 to $6.55 at December 31, 2011. The decrease is attributable to negative equity market returns and a decline in the value of the investment portfolio. During 2011 the Fund realized gains of $0.5 million which were offset by unrealized losses on the investment portfolio of approximately the same amount.

Revenue and Expenses

Revenue for the year ended December 31, 2011 amounted to approximately $70,000, down from $0.7 million in 2010. Revenue for the prior year included a special dividend paid by Athabasca Oil Sands in connection with its initial public offering. Expenses for the year totalled $0.2 million, a decrease of 50% from the prior year primarily due to reduced average assets under management in 2011 which resulted in lower management and service fees. Net investment loss was approximately $0.1 million in 2011 compared to net investment income of $0.3 million in the prior year. On a per equity share basis net investment loss in 2011 amounted to $0.06 compared to net investment income of $0.17 in 2010. There were no dividends paid to shareholders for the year ended December 31, 2011 and the Fund does not expect to pay regular dividends.

Leverage

The Fund had a credit facility that enabled the Fund to borrow up to an amount not exceeding 25% of total assets. At December 31, 2011, the Fund had a loan payable in the amount of $1 million representing approximately 12.3% of total assets and 14.4% of net assets. The minimum and maximum amounts borrowed during 2011 were $nil and $2.5 million, respectively. The loan proceeds were used primarily to purchase securities for the investment portfolio. The credit facility provides the lender with a security interest over the assets of the Fund.

Subsequent to year end the Fund terminated its credit facility and commenced entering into repurchase agreements with its custodian. The Fund receives cash from its custodian against a selected basket of securities as collateral. The collateral securities are returned to the Fund when the cash is paid back to its custodian and the agreement is closed. The Fund accrues a charge, on a daily basis, on the outstanding value of the repurchase agreements.

Trends

Economic challenges in the E.U. and a slowdown in emerging market growth had a negative impact on equity markets in 2011. Macroeconomic uncertainty and the corresponding market volatility precipitated a disconnect between the performance of commodity prices and resource-related equities. WTI Cushing crude oil prices rose by 8.2% to over $98 by the end of year while the S&P/TSX Capped Energy Index declined 14.8%.

We remain very positive on the oil and gas sector and hold the view that global oil production has peaked. Groppe believes that annual average crude oil prices will remain strong over the next ten years. Over this period, fundamentals continue to suggest that shale gas production will not increase enough to offset declines in other sources of supply such as conventional and Gulf of Mexico gas. Excess supply of natural gas has depressed prices as land retention drilling and significant levels of foreign capital subsidized shale production and development costs. Moreover, recent data suggests that shale gas production in prominent regions, such as the Haynesville and Barnett, is flattening or declining.

RELATED PARTY TRANSACTIONS

Pursuant to a management agreement, the Manager receives a management fee. For further details please see the "Management Fees" section of this report. MCC, a company under common control with the Manager and Advisor to the Fund, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions in connection with securities transactions from the Fund. All brokerage commissions paid by the Fund were at or below market rates. For further details please see the notes to the financial statements.

MANAGEMENT FEES

Management fees are calculated at 1.1% per annum of the Net Asset Value of the Fund and are split between the Manager and the Advisor. The Manager receives fees for the general administration of the Fund, including maintaining the accounting records, executing securities trades, monitoring compliance with regulatory requirements, and negotiating contractual agreements, among other things. The Advisor receives fees from the Manager for providing investment advice in respect of the portfolio in accordance with the investment objectives and strategies of the Fund.

RECENT DEVELOPMENTS

On September 8, 2011, the Fund received approval from the Toronto Stock Exchange (the "TSX") to make a normal course issuer bid for its equity shares. The notice of intent (the "Notice") enables the Fund to purchase up to 104,037 equity shares, being 10% of the public float of the equity shares, during the 12 month period from September 12, 2011 to September 11, 2012. Shareholders may obtain a copy of the Notice, without charge, by contacting the Fund.

On February 2, 2012, at a special meeting of the equity shareholders of Middlefield Tactical Energy Corporation ("Tactical"), equity shareholders approved the amalgamation of Tactical with Middlefield Bancorp Limited ("Bancorp"), with Tactical as the continuing entity. Shareholders also approved various amendments to Tactical's articles to enhance shareholder value.

On February 23, 2012, Tactical amalgamated with Bancorp and changed its name to MBN Corporation to better reflect the Fund's broadened mandate. The Fund issued 1,475,761 equity shares at a value of $9.5 million in exchange for the assets of Bancorp. The number of units issued was calculated using an exchange ratio based on the relative net asset values of the Fund and Bancorp as at the close of trading on February 22, 2012 in accordance with the terms of the amalgamation agreement.

On February 27, 2012, the Fund commenced trading on the TSX under the new symbol "MBN". The previous trading symbol was "OCF". Since "MBN" was also the trading symbol for Bancorp, the historical price series for Bancorp is no longer applicable following the amalgamation. The appropriate historical price series for the Fund is that which appears under the symbol "OCF".

Future Accounting Changes

International Financial Reporting Standards ("IFRS")
Canadian publicly accountable enterprises, which include funds/investment trusts, will be required to prepare financial statements in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). On December 12, 2011, the Canadian Accounting Standards Board ("AcSB") amended the deadline for adoption of IFRS for investment companies to fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal year beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

Middlefield Limited (the "Manager") has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and has identified the key differences between IFRS and Canadian generally accepted accounting principles ("GAAP") that are expected to affect the Fund. Elements of the plan include evaluating the impacts of the changeover on all business activities, accounting policies, information technology and data systems, internal controls over financial reporting and disclosure controls and procedures.

Based on the Manager's current evaluation of the differences between GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per equity share. IFRS is expected to affect the overall presentation of financial statements and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS proposed by the IASB and relevant amendments by the AcSB, and the current assessment and IFRS changeover plan may change if new standards are issued or interpretations of existing standards are revised.

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 indicated periods. "Net Assets" are calculated in accordance with the Canadian Institute of Chartered Accountants Handbook section 3855 "Financial Instruments – Recognition and Measurement" ("Section 3855") and are used for financial reporting purposes. "Net Asset Value" is calculated in accordance with section 14.2 of National Instrument 81-106 "Investment Fund Continuous Disclosure" ("NI 81-106") and is used for transactional pricing purposes. Section 3855 requires the use of valuation techniques for certain types of investments that may differ from those prescribed by NI 81-106. Ratios and supplemental data are derived from the Fund's Net Asset Value.

THE FUND'S NET ASSETS PER EQUITY SHARE (1)

	2011	2010	2009	2008	2007(4)
Net Assets, Beginning of Period	**$ 6.64**	$ 6.90	$ 4.64	$ 8.83	$ 8.84
INCREASE (DECREASE) FROM OPERATIONS:					
Total Revenue	**0.06**	0.38	0.14	0.23	0.11
Total Expenses	**(0.20)**	(0.23)	(0.16)	(0.17)	(0.08)
Total Income Tax Recovery (Expense)	**0.08**	0.02	(0.02)	(0.02)	–
Realized Gains (Losses) for the Period	**0.44**	0.18	(0.60)	(3.13)	(0.15)
Unrealized Gains (Losses) for the Period	**(0.48)**	(0.69)	2.91	(1.08)	0.11
Transaction Costs on Purchase and Sale of Investments	**(0.05)**	(0.02)	(0.01)	(0.02)	(0.01)
TOTAL INCREASE (DECREASE) FROM OPERATIONS (2)	**(0.09)**	(0.26)	2.26	(4.19)	(0.01)
Net Assets, End of Period	**$ 6.55**	$ 6.64	$ 6.90	$ 4.64	$ 8.83

(1) This information is derived from the Fund's audited annual financial statements. The Net Assets per equity share presented in the financial statements may differ from the net asset value calculated for fund pricing purposes. An explanation of the difference can be found in the notes to the financial statements.
(2) Net Assets are based on the actual number of equity shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of equity shares outstanding over the financial period.
(3) There were no dividends paid by the Fund.
(4) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

RATIOS AND SUPPLEMENTAL DATA

	2011	2010	2009	2008	2007 (4)
Total Assets (000s) (1)	**$ 8,135**	$ 7,616	$ 18,799	$ 33,649	$ 44,690
Total Net Asset Value (000s) (1)	**$ 6,955**	$ 7,522	$ 16,116	$ 21,494	$ 44,148
Number of Equity Shares Outstanding (1)	**1,057,471**	1,132,871	2,296,238	4,247,100	4,771,300
Management Expense Ratio ("MER") (2)	**2.91%**	3.44%	2.64%	2.15%	9.57%
MER excluding interest expense and issuance costs (2)	**2.69%**	3.15%	2.30%	2.07%	1.86%
Trading Expense Ratio (3)	**0.75%**	0.28%	0.23%	0.28%	0.15%
Portfolio Turnover Rate (4)	**150.55%**	52.15%	77.43%	147.88%	39.98%
Net Asset Value per Equity Share	**$ 6.58**	$ 6.64	$ 7.04	$ 5.06	$ 9.25
Closing Market Price	**$ 5.50**	$ 5.62	$ 6.64	$ 3.85	$ 7.00

(1) This information is provided as at December 31 of the year shown.
(2) MER is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average Net Asset Value during the period. The MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of the Fund as a percentage of average Net Asset Value. Issuance costs are one-time costs incurred at inception, and the inclusion of interest expense does not consider the additional revenues that have been generated from the investment of the leverage in income-generating assets.
(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average Net Asset Value during the period.
(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The Fund's turnover rate is high in 2008 as a result of the disposal of a higher volume of portfolio investments during the year.
(5) For the period August 2, 2007 (date of commencement of operations) to December 31, 2007.

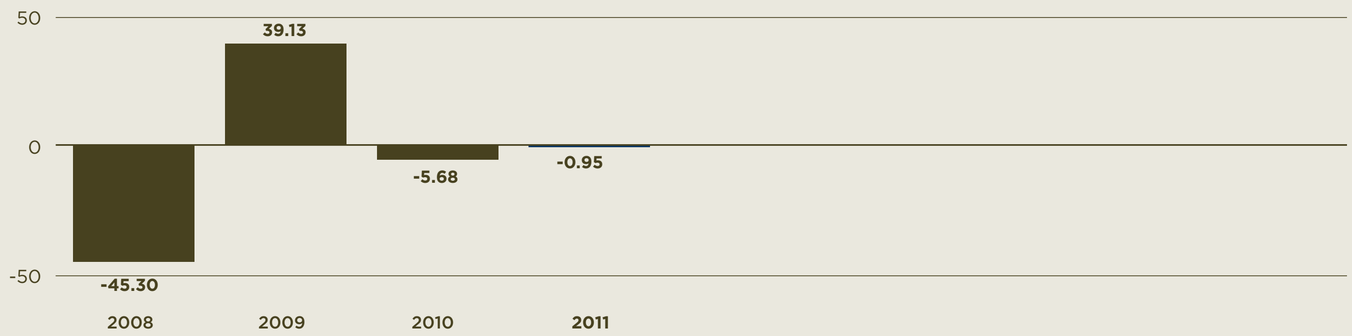
PAST PERFORMANCE

The performance information shown, which is based on Net Asset Value does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS

The bar chart shows how the Fund's performance has varied from year-to-year for each of the years shown. The chart indicates, in percentage terms, how much an investment made the first day of each financial year would have grown or decreased by the last day of the financial year. The return for 2007 is not presented since it relates to a partial period.

ANNUAL TOTAL RETURN %



ANNUAL COMPOUND RETURNS

	Periods Ended December 31, 2011		
	One Year	Three Years	Since Inception
MBN Corporation	-0.95%	9.13%	-7.63%
S&P/TSX Composite Index	-8.73%	13.20%	-0.38%

The S&P/TSX Composite Index (the "Index") is comprised of Canadian stocks traded on the Toronto Stock Exchange and is designed to represent the Canadian equity market.

The Fund outperformed the Index in 2011 returning -1.0% compared to the Index total return of -8.7%. The Fund's outperformance in 2011 reflects its overweight position in energy companies that are oil weighted or have a higher component of natural gas liquids in their production.

SUMMARY OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2011

TOP TWENTY-FIVE HOLDINGS

	DESCRIPTION	% OF NET ASSET VALUE
1	Paramount Resources Ltd.	6.1
2	Tourmaline Oil Corp.	5.7
3	Progress Energy Resources Corp.	5.7
4	Canadian Natural Resources Ltd.	5.5
5	Bellatrix Exploration Ltd.	5.3
6	Celtic Exploration Ltd.	4.9
7	Cenovus Energy Inc.	4.9
8	Poseidon Concepts Corp.	4.3
9	Suncor Energy Inc.	4.2
10	CanElson Drilling Inc.	4.2
11	Open Range Energy Corp.	4.0
12	Arcan Resources Ltd.	3.9
13	Wild Stream Exploration Inc.	3.8
14	Second Wave Petroleum Inc.	3.8
15	Legacy Oil + Gas Inc.	3.8
16	NuVista Energy Limited	3.8
17	Athabasca Oil Sands Corp.	3.6
18	Canyon Services Group Inc.	3.4
19	Crew Energy Inc.	3.2
20	Painted Pony Petroleum Ltd.	3.2
21	Fairborne Energy Limited	3.2
22	Yangarra Resources Ltd.	3.1
23	Storm Resources Ltd.	2.7
24	Surge Energy Inc.	2.6
25	Trican Well Service Ltd.	2.5

“Top Twenty-Five Holdings” excludes any temporary cash investments.

ASSET CLASS	% OF NET ASSET VALUE
Energy	111.4
Cash and Short-Term Investments	5.5
Other Assets (Liabilities)	(16.9)
	100.0

TOTAL NET ASSET VALUE	$	6,955,217
TOTAL ASSETS	$	8,134,772

The Summary of Investment Portfolio may change over time due to ongoing portfolio transactions. Please visit www.middlefield.com for the most recent quarter-end Summary of Investment Portfolio.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of MBN Corporation (the "Fund") have been prepared by Middlefield Limited (the "Manager"), the manager of the Fund and approved by the Board of Directors. The Manager is responsible for the information and representations contained in these financial statements and other financial information contained in this annual report.

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

The Board of Directors 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.

Deloitte & Touche LLP is the external auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee.

Robert F. Lauzon
President
Middlefield Limited

Francisco Z. Ramirez
Senior Vice-President and Chief Financial Officer
Middlefield Limited

March 12, 2012

INDEPENDENT AUDITOR'S REPORT

Deloitte.

TO THE SHAREHOLDERS OF MBN CORPORATION
(formerly, Middlefield Tactical Energy Corporation)

We have audited the accompanying financial statements of MBN Corporation, which comprise the statement of investment portfolio as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010, and the statements of operations, changes in net assets and cash flows 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.

AUDITOR'S 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 auditor's 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 auditor considers 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 by 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 MBN Corporation as at December 31, 2011 and 2010, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

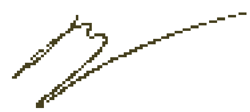
March 12, 2012

STATEMENTS OF NET ASSETS

AS AT DECEMBER 31		2011		2010
ASSETS:				
Investments at Fair Value	**$**	**7,712,030**	$	6,705,088
Cash		**382,862**		881,668
Income and Interest Receivable		**5,880**		25,475
		8,100,772		7,612,231
LIABILITIES:				
Loan Payable (Note 8)		**998,750**		–
Accounts Payable – Portfolio Securities Purchased		**122,400**		–
Accounts Payable and Accrued Liabilities		**58,405**		94,822
		1,179,555		94,822
Net Assets	**$**	**6,921,217**	$	7,517,409
Equity Shares Issued and Outstanding (Note 10)		**1,057,471**		1,132,871
Net Assets per Equity Share (Note 7)	**$**	**6.55**	$	6.64

Approved by the Board of Directors:

Director: W. Garth Jestley



Director: Robert F. Lauzon

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31		2011		2010
OPERATING ACTIVITIES:				
Net Decrease in Net Assets from Operations	**$**	**(159,217)**	$	(676,080)
Adjustments:				
Purchase of Investments		**(12,462,013)**		(5,857,254)
Proceeds from Disposition of Investments		**11,426,688**		12,177,162
Net Realized Gain from Investment Transactions		**(490,244)**		(108,121)
Change in Net Unrealized Loss on Investments		**518,627**		1,300,800
		(1,166,159)		6,836,507
Net Change in Non-Cash Working Capital		**105,578**		(320,710)
		(1,060,581)		6,515,797
FINANCING ACTIVITIES:				
Repurchase of Equity Shares		**(436,975)**		(661,138)
Payment on Redemption of Equity Shares		**–**		(6,978,177)
Payment on Redemption of Warrants		**–**		(26,058)
Proceeds from Loans		**4,998,750**		5,002,303
Repayment of Loans		**(4,000,000)**		(7,500,000)
		561,775		(10,163,070)
Net Decrease in Cash		**(498,806)**		(3,647,273)
Cash at Beginning of Year		**881,668**		4,528,941
Cash at End of Year	**$**	**382,862**	$	881,668

SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION

Loan Interest Paid	**$**	**14,893**	$	22,590

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

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31		2011		2010
INVESTMENT INCOME:				
Income from Investments	**$**	**57,187**	$	708,807
Interest		**13,110**		10,052
		70,297		718,859
EXPENSES (Note 9):				
Management Fee		**94,517**		150,578
Fund Administration Fees		**78,879**		84,014
Service Fees		**24,492**		49,770
Interest and Bank Charges		**17,037**		36,563
Securityholder Reporting Costs		**5,391**		15,669
Custodial Fees		**646**		1,318
Legal		**–**		87,735
Capital Tax		**–**		(20,724)
Audit Fees		**(1,912)**		32,803
		219,050		437,726
Net Investment Income (Loss) before Income Tax Recovery		**(148,753)**		281,133
Income Tax Recovery (Note 2f)		**88,081**		44,828
Net Investment Income (Loss)		**(60,672)**		325,961
NET GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS:				
Net Realized Gain from Investment Transactions		**490,244**		108,121
Net Realized Gain (Loss) on Foreign Currency Transactions		**(13,703)**		7,148
Net Realized Gain on Warrants		**–**		219,750
Change in Net Unrealized Loss on Investments		**(518,627)**		(1,300,800)
Transaction Costs on Purchase and Sale of Investments (Note 11)		**(56,459)**		(36,260)
Net Loss on Investments and Transaction Costs		**(98,545)**		(1,002,041)
Net Decrease in Net Assets from Operations	**$**	**(159,217)**	$	(676,080)
Net Decrease in Net Assets from Operations per Equity Share (Note 10)	**$**	**(0.15)**	$	(0.36)

STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31		2011		2010
Net Assets at Beginning of Year	**$**	**7,517,409**	$	15,832,804
OPERATIONS:				
Net Decrease in Net Assets from Operations		**(159,217)**		(676,080)
SECURITYHOLDER TRANSACTIONS:				
Repurchase of Equity Shares		**(436,975)**		(661,138)
Payment on Redemption of Equity Shares		**–**		(6,978,177)
		(436,975)		(7,639,315)
Net Decrease in Net Assets		**(596,192)**		(8,315,395)
Net Assets at End of Year	**$**	**6,921,217**	$	7,517,409
Total Assets	**$**	**8,100,772**	$	7,612,231

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

STATEMENT OF INVESTMENT PORTFOLIO

AS AT DECEMBER 31, 2011

Description	No. of Securities	Average Cost	Fair Value
Advantage Oil & Gas Ltd.	40,000	$ 183,208	$ 169,200
Arcan Resources Ltd.	55,000	299,750	271,150
Athabasca Oil Sands Corp.	20,000	272,000	249,800
Bellatrix Exploration Ltd.	75,000	432,352	368,250
Canadian Natural Resources Ltd.	10,000	373,216	380,600
CanElson Drilling Inc.	75,000	326,250	286,500
Canyon Services Group Inc.	20,000	238,436	239,000
Celtic Exploration Ltd.	15,000	358,636	341,550
Cenovus Energy Inc.	10,000	324,644	338,300
Cequence Energy Ltd.	50,000	157,775	147,000
Coral Hill Energy Ltd.	16,000	122,400	122,400
Crew Energy Inc.	20,000	241,074	224,800
Donnybrook Energy Inc.	300,000	150,000	108,000
Fairborne Energy Limited	75,000	308,820	220,500
Legacy Oil + Gas Inc.	25,000	232,128	262,000
NuVista Energy Limited	50,000	505,705	261,000
Open Range Energy Corp.	150,000	367,124	279,000
Painted Pony Petroleum Ltd.	20,000	226,600	223,600
Paramount Resources Ltd.	10,000	315,300	424,500
Poseidon Concepts Corp.	24,000	–	298,800
Progress Energy Resources Corp.	30,000	366,162	397,200
Second Wave Petroleum Inc.	100,000	238,000	261,000
Spartan Oil Corp.	39,500	114,750	131,930
Storm Resources Ltd.	50,000	223,755	185,000
Suncor Energy Inc.	10,000	283,014	293,800
Surge Energy Inc.	20,000	174,000	178,200
Tourmaline Oil Corp.	15,000	440,720	399,450
Trican Well Service Ltd.	10,000	196,450	175,400
Wild Stream Exploration Inc.	30,000	324,900	267,600
Yangarra Resources Ltd.	350,000	234,574	206,500
ENERGY: 95.3%		8,031,743	7,712,030
EMBEDDED BROKER COMMISSIONS (Note 11)		(20,798)	–
TOTAL INVESTMENTS: 95.3%		8,010,945	7,712,030
CASH: 4.7%		382,862	382,862
Total Investment Portfolio, including Cash		$ 8,393,807	$ 8,094,892

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

1. MBN CORPORATION

MBN Corporation (formerly, Middlefield Tactical Energy Corporation) (the "Fund") is a mutual fund corporation continued under the laws of Alberta. The articles were amended on November 2, 2010 to change the name of the Fund to Middlefield Tactical Energy Corporation and then again on February 23, 2012 to change the name to MBN Corporation. Middlefield Limited, a company incorporated in Alberta, is the manager of the Fund (the "Manager"). Middlefield Capital Corporation ("MCC" or the "Advisor"), a company under common control with the Manager, is the advisor to the Fund. Groppe, Long & Littell acts as special advisor to MCC. The Fund was listed on the Toronto Stock Exchange ("TSX") and effectively commenced operations on August 2, 2007 when it first issued securities through an initial public offering.

2. INVESTMENT OBJECTIVE AND STRATEGY

The Fund's investment objective is to achieve capital appreciation of the investment portfolio over the life of the Fund. The Fund invests predominantly in securities of issuers operating in the Canadian resource sector, with a significant allocation to those issuers operating in the oil and gas industry.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUTURE ACCOUNTING CHANGES

International Financial Reporting Standards ("IFRS")

Canadian publicly accountable enterprises, which include funds/investment trusts, will be required to prepare financial statements in accordance with IFRS, as issued by the International Accounting Standards Board. On December 12, 2011, the Canadian Accounting Standards Board amended the deadline for adoption of IFRS for investment companies to fiscal years beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal year beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

B. CREDIT RISK AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund's own credit risk and the credit risk of the counterparty is taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and determined that the fair values ascribed to the financial assets and financial liabilities in the Fund's financial statements incorporate appropriate levels of credit risk.

C. INVESTMENTS AT FAIR VALUE

Securities listed on a recognized public stock exchange are valued at their closing bid price on the valuation date. Securities with no available bid price are valued at their closing trade price. Securities not listed on a recognized public stock exchange are valued based on recent transactions between willing parties, if such information is available, or alternatively valued using valuation techniques which may include the use of the operating results of the investees, expected future cash flows discounted at appropriate discount rates and comparable peer group valuations adjusted for company specific circumstances.

D. INVESTMENT TRANSACTIONS AND INCOME RECOGNITION

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. The change in the difference between fair value and average cost of the investments is recorded as unrealized gain (loss) on investments. Income from investments is recognized on the ex-dividend or ex-distribution date. Interest income is recognized on an accrual basis.

E. NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER EQUITY SHARE

Net increase (decrease) in net assets from operations per equity share in the Statements of Operations represents the increase (decrease) in net assets from operations divided by the average equity shares outstanding during the year.

F. INCOME TAXES

The Fund no longer qualifies as a mutual fund corporation under the provisions of the *Income Tax Act* (Canada) (the "Act"). As a result, it is not entitled to a refund of tax paid in respect of its net realized capital gains. Prior to 2010, the Fund qualified as a mutual fund corporation under the Act and was entitled to refunds of taxes paid. The income tax recoveries received in 2010 and 2011 relate to refunds of taxes paid in years prior to 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. RETURN OF CAPITAL

Distributions received from investment trust units that are treated as a return of capital for tax purposes are used to reduce the average cost of the underlying investments on the Statement of Investment Portfolio.

H. FOREIGN CURRENCY TRANSLATION

Foreign currency amounts are translated into Canadian dollars as follows: fair value of investments, forward currency contracts and other assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

I. FINANCIAL INSTRUMENTS

The carrying values of financial instruments, including cash, receivables, payables and accruals approximate the fair value due to their short maturities.

J. USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the increase and decrease in net assets from operations during the reporting period. The most significant estimates and assumptions relate to the valuation of illiquid securities. Actual results could differ from those estimates.

4. FAIR VALUE DISCLOSURE

The tables below summarize the fair value of the Fund's financial instruments as at December 31, 2011 and 2010 using the following fair value hierarchy:

Level 1	Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
Level 2	Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
Level 3	Inputs that are unobservable and where there is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

As at December 31, 2011

Description	Level 1	Level 2	Level 3	Total
Common Shares	$ 7,589,630	$ –	$ 122,400	$ 7,712,030
Total	$ 7,589,630	$ –	$ 122,400	$ 7,712,030

As at December 31, 2010

Description	Level 1	Level 2	Level 3	Total
Common Shares	$ 4,710,035	$ –	$ –	$ 4,710,035
Trust Units	1,995,053	–	–	1,995,053
Total	$ 6,705,088	$ –	$ –	$ 6,705,088

No transfers between levels have occurred during the years ended December 31, 2011 and 2010.

4. FAIR VALUE DISCLOSURE (CONTINUED)

During the years ended December 31, 2011 and 2010, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

2011	Common Shares
Balance at Beginning of Year	$ –
Purchases	122,400
Balance at End of Year	$ 122,400
Total Change in Unrealized Gain during the Year for Assets held at December 31, 2011	$ –

2010	Common Shares
Balance at Beginning of Year	$ 1,526,000
Sales	(1,265,350)
Realized Gain	165,350
Change in Unrealized Gain	(426,000)
Balance at End of Year	$ –
Total Change in Unrealized Loss during the Year for Assets held at December 31, 2010	$ –

The use of reasonable possible alternative assumptions for valuing Level 3 financial instruments would not significantly affect the fair value of those investments.

5. FINANCIAL RISK MANAGEMENT

In the normal course of business the Fund is exposed to a variety of financial risks: price risk, interest rate risk, foreign exchange rate risk, liquidity risk and credit risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, the market and company news related to specific securities within the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions. The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

A. PRICE RISK

Price risk is the risk that changes in the prices of the Fund's investments will affect the Fund's income or the value of its financial instruments. The Fund's price risk is driven primarily by volatility in commodity and equity prices. Rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Fund mitigates price risk by making investing decisions based upon various factors, including comprehensive fundamental analysis prepared by industry experts to forecast future commodity and equity price movements. The Fund's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to the Fund's investments are performed to ensure that any risks are within established levels of risk tolerance. The Fund is exposed to price risk through the following financial instrument:

	2011	2010
Investments at Fair Value	**$ 7,712,030**	$ 6,705,088

Based on the above exposure at December 31, 2011, a 10% increase or decrease in the prices of the Fund's investments would result in a $771,203 (2010 – $670,509) increase or decrease in net assets of the Fund as at December 31, 2011 and 2010, with all other factors held constant.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

B. INTEREST RATE RISK

Interest rate risk describes the Fund's exposure to changes in the general level of interest rates. The Fund's interest rate risk is attributable to interest-bearing financial assets such as cash and to financial liabilities such as loan payable. The Fund's interest income and expense are positively correlated to interest rates in that rising interest rates increase both interest income and expense while the reverse is true in a declining interest rate environment. The Fund has not hedged its exposure to interest rate movements. The Fund seeks to mitigate this risk through active management, which involves monitoring debt levels and analysis of economic indicators to forecast Canadian and global interest rates. The Fund is exposed to interest rate risk through the following financial instruments:

		2011		2010
Cash	**$**	**382,862**	$	881,668
Loan Payable		**(998,750)**		–
Net Exposure	**$**	**(615,888)**	$	881,668

Based on the above exposures at December 31, 2011, a 1% per annum increase or decrease in interest rates would result in a $6,159 (2010 – $8,817 increase or decrease) decrease or increase in net assets of the Fund as at December 31, 2011 and 2010, with all other factors held constant.

C. FOREIGN EXCHANGE RATE RISK

Foreign exchange rate risk describes the impact on the underlying value of financial instruments due to foreign exchange rate movements. The Canadian dollar is the Fund's functional and reporting currency. Foreign investments, commodities, receivables and payables denominated in foreign currencies are affected by changes in the value of the Canadian dollar compared to foreign currencies. As a result, financial assets may depreciate/appreciate in the short-term due to the strengthening/weakening of the Canadian dollar against other currencies, and the reverse would be true for financial liabilities. The Fund's exposure to foreign exchange risk relates primarily to its investment in securities, which are denominated in U.S. dollars ("USD"). The Fund has not hedged its exposure to currency fluctuations, however, it closely monitors relevant foreign exchange currency movements. The Fund is exposed to foreign exchange rate risk through the following financial instrument:

		2011		2010
Investments at Fair Value	**$**	**–**	$	1,152,088

Based on the above exposure at December 31, 2011, a 10% increase or decrease in the Canadian dollar against the USD would result in a $nil (2010 – $115,209) decrease or increase in net assets of the Fund as at December 31, 2011 and 2010, with all other factors held constant.

D. LIQUIDITY RISK

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations when due. In 2010 the Fund was exposed to liquidity risk through its annual and monthly redemptions. The Fund received 20 business days notice prior to the redemption date and had up to 15 business days after the redemption date to settle the redemption. This enabled the Manager to sell securities held by the Fund to generate cash to settle the redemption, if necessary. The redemption right was terminated subsequent to November 30, 2010 and on February 23, 2012 the Fund obtained the right to retract equity shares when it amended its articles. The Fund's obligations are due within one year. As at December 31, 2011, the Fund had a revolving credit facility in the amount of $3 million (2010 – $5 million) which was secured by a general security agreement and was subject to annual renewal. Borrowed amounts under the credit facility were usually due within 90 to 180 days.

5. FINANCIAL RISK MANAGEMENT (CONTINUED)

D. LIQUIDITY RISK (CONTINUED)

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily sold and by borrowing under its credit facility. However, the Fund may invest in private securities that are not traded on a public stock exchange that may be illiquid. As a result, the Fund may not be able to dispose of these investments in a timely manner. The Fund mitigates this risk through active management, which involves detailed analysis of such private entities to ensure they are financially sound and would be attractive to potential investors if a sale is necessary. The Fund's investment policies and securities legislation limit the amounts invested in illiquid securities and these limits are monitored. As at December 31, 2011 the Fund held illiquid securities fair valued at $0.1 million (2010 – $nil). The Fund retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

E. CREDIT RISK

Credit risk represents the financial loss that the Fund would experience if a counterparty to a financial instrument failed to meet its obligations to the Fund. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by the Fund in listed securities are settled 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 only once the broker has received the securities. The trade will fail if either party fails to meet its obligations. There is no significant credit risk related to the Fund's receivables.

The Fund has established various internal controls to help mitigate credit risk, including prior approval of all investments by the Advisor whose mandate includes conducting financial and other assessments of these investments on a regular basis. The Fund has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

6. CAPITAL MANAGEMENT

The Fund's capital is its net assets, representing shareholders' equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, maximize shareholder value and maintain financial strength.

The Fund manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. Generally speaking, the Fund will reduce leverage when investments are likely to decrease in value and will increase leverage when investment appreciation is anticipated. In order to maintain or adjust its capital structure the Fund may borrow or repay debt under its credit facility or undertake other activities deemed appropriate under the specific circumstances.

The Fund is not subject to any externally imposed capital requirements. However, the Fund is subject to bank covenants on the credit facility and is in compliance with those covenants in both 2011 and 2010. The Fund's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2010.

7. NET ASSETS AND NET ASSET VALUE

National Instrument 81-106 "Investment Fund Continuous Disclosure" requires that net asset value for transactional pricing purposes ("Net Asset Value"), be calculated based on the fair value of investments using the close or last trade price. The Canadian Institute of Chartered Accountants Handbook section 3855 "Financial Instruments – Recognition and Measurement" requires that net assets for financial reporting purposes ("Net Assets"), be calculated using the close or last bid price of an investment. Net Assets per equity share and Net Asset Value per equity share could be different due to the use of different valuation techniques. The Net Asset Value per equity share as at December 31, 2011 was $6.58 (2010 – $6.64) compared to the Net Assets per equity share of $6.55 (2010 – $6.64).

8. LOAN PAYABLE

The revolving term credit facility in the amount of $3 million (2010 – $5 million) is secured by a general security agreement. The facility is subject to annual renewal. At December 31, 2011, loans outstanding included bankers' acceptances with a face value of $1.0 million (2010 – $nil). The minimum and maximum loans outstanding during 2011 were $nil and $2.5 million (2010 – $nil and $2.5 million), respectively.

Subsequent to year end the Fund terminated its credit facility and commenced entering into repurchase agreements with its custodian. The Fund receives cash from its custodian against a selected basket of securities as collateral. The collateral securities are returned to the Fund when the cash is paid back to its custodian and the agreement is closed. The Fund accrues a charge, on a daily basis, on the outstanding value of the repurchase agreements.

9. MANAGEMENT FEE AND OPERATING EXPENSES

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a management fee equal to 1.1% per annum of the Net Asset Value, calculated and paid monthly in arrears based on the average Net Asset Value of the preceding month. The Manager is reimbursed for reasonable costs related to maintaining the Fund and preparation and distribution of financial statements and other documents to unitholders. The Fund is responsible for the payment of all expenses relating to the operation of the Fund and the carrying on of its business.

10. SHAREHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of transferable, non-redeemable equity shares, each of which represents an equal, undivided interest in the net assets of the Fund. The Fund is also authorized to issue an unlimited number of shares of the Fund designated as Class M Shares (the "Class M Shares") of which there are 100 Class M Shares issued and outstanding.

The holders of Class M Shares are not entitled to receive dividends. The holders of the Class M Shares are entitled to one vote per share. The Class M Shares are redeemable at the option of either the Fund or a holder thereof at a price of $1.00 per share. The Class M Shares rank subsequent to the equity shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. A trust established for the benefit of the holders from time to time of the equity shares owns all of the issued and outstanding Class M Shares.

The Fund issued 5 million units at $10 per unit in 2007. Each unit was comprised of one equity share and one-half of one warrant to acquire one equity share. The equity shares and warrants began trading separately on the TSX on September 4, 2007. The warrants expired, unexercised, on July 31, 2010. On November 2, 2010, the articles of the Fund were amended to remove redemption rights in respect of equity shares subsequent to November 30, 2010. On February 23, 2012, the articles were amended to give the Fund the right to retract equity shares. During 2011, the Fund did not redeem any equity shares (2010 – 1,061,267), purchased 75,400 equity shares (2010 – 60,100) pursuant to a normal course issuer bid and nil equity shares (2010 – 42,000) in the market in accordance with its articles.

10. SHAREHOLDERS' EQUITY (CONTINUED)

The average number of equity shares outstanding during 2011 was 1,090,552 (2010 – 1,885,111). This number was used to calculate the net increase (decrease) in net assets from operations per equity share.

The Fund does not expect to pay regular dividends or make other distributions.

11. TRANSACTION COSTS

Brokerage commissions and other transaction costs paid in connection with securities transactions during 2011 amounted to $56,459 (2010 – $36,260). Included in this amount is $21,492 (2010 – $23,276) in brokerage commissions that were paid to Middlefield Capital Corporation, a company under common control with the Manager. All commissions paid by the Fund were at or below market rates. Brokerage commissions and other transaction costs are expensed and recorded in the Statements of Operations.

12. LOSS CARRYFORWARDS

At December 31, 2011 and 2010 the Fund had capital losses of $14,464,762 and non-capital losses of $3,787,059 (2010 – $3,163,013) available for carryforward for tax purposes. The capital losses can be carried forward indefinitely. The expiry dates of the non-capital losses are as follows:

Expiry Date		Amount
December 31, 2027	$	238,397
December 31, 2028		1,251,812
December 31, 2029		742,685
December 31, 2030		930,119
December 31, 2031		624,046
	$	3,787,059

13. SUBSEQUENT EVENTS

On February 2, 2012 at a special meeting of the equity shareholders of Middlefield Tactical Energy Corporation ("Tactical"), equity shareholders approved the amalgamation of Tactical with Middlefield Bancorp Limited ("Bancorp"), with Tactical as the continuing entity. Shareholders also approved various amendments to Tactical's articles to enhance shareholder value.

On February 23, 2012, Tactical amalgamated with Bancorp and changed its name to MBN Corporation to better reflect the Fund's broadened mandate. The Fund issued 1,475,761 equity shares at a value of $9.5 million in exchange for the assets of Bancorp. The number of units issued was calculated using an exchange ratio based on the relative net asset values of the Fund and Bancorp as at the close of trading on February 22, 2012 in accordance with the terms of the amalgamation agreement.

On February 27, 2012, the Fund commenced trading on the TSX under the new symbol "MBN". The previous trading symbol was "OCF". Since "MBN" was also the trading symbol for Bancorp, the historical price series for Bancorp is no longer applicable following the amalgamation. The appropriate historical price series for the Fund is that which appears under the symbol "OCF".

MIDDLEFIELD FUNDS FAMILY

TSX-LISTED FUNDS

	TSX Stock Symbol
· ACTIVEnergy Income Fund	**AEU.UN**
· COMPASS Income Fund	**CMZ.UN**
· ENERGY INDEXPLUS Dividend Fund	**IDE.UN**
· INDEXPLUS Dividend Fund	**IDF.UN**
· INDEXPLUS Income Fund	**IDX.UN**
· MBN Corporation (previously Middlefield Tactical Energy Corporation)	**MBN**
· Middlefield Canadian Income PCC	**LSE Symbol:MCT**
· Middlefield Income Plus II Corp. (commenced March 2012)	**MIP**
· MINT Income Fund	**MID.UN**
· Pathfinder Convertible Debenture Fund	**PCD.UN**
· REIT INDEXPLUS Income Fund	**IDR.UN**
· Uranium Focused Energy Fund	**UF.UN**
· YIELDPLUS Income Fund	**YP.UN**

MUTUAL FUNDS

Series A Shares	Fund Code **FE/LL/DSC**
· ActiveIndex REIT Class	**MID 600/649/650**
· Groppe Tactical Energy Class	**MID 125/127/130**
· Middlefield Canadian Growth Class	**MID 148/449/450**
· Middlefield Global Agriculture Class	**MID 161/163/166**
· Middlefield Income and Growth Class	**MID 300/349/350**
· Middlefield Income Plus Class	**MID 800/849/850**
· Middlefield Precious Metals Class	**MID 170/174/175**
· Middlefield Short-Term Income Class	**MID 400/424/425**
· Middlefield Uranium Focused Metals Class	**MID 210/219/220**

Series F Shares	
· ActiveIndex REIT Class	**MID 601**
· Groppe Tactical Energy Class	**MID 126**
· Middlefield Canadian Growth Class	**MID 149**
· Middlefield Global Agriculture Class	**MID 162**
· Middlefield Income and Growth Class	**MID 301**
· Middlefield Income Plus Class	**MID 801**
· Middlefield Precious Metals Class	**MID 171**

RESOURCE FUNDS

- MRF 2010 Resource Limited Partnership (terminated February 2012)
- MRF 2011 Resource Limited Partnership
- MRF 2012 Resource Limited Partnership (commenced February 2012)

- Discovery 2010 Flow-Through Limited Partnership
- Discovery 2011 Flow-Through Limited Partnership

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MBN Corporation

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Chief Executive Officer
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and Chief Financial Officer
Middlefield Group

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Former Vice-Chairman
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Securities Limited

H. Roger Garland
Former Vice-Chairman
Four Seasons Hotels Inc.

Bernard I. Ghert (Chairman)
Former Chairman
Mount Sinai Hospital

Charles B. Young
Former Deputy Chairman
Canary Wharf

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Chief Financial Officer
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Vice-President
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Chartered Accountants

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Fasken Martineau DuMoulin LLP
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Royal Bank of Canada

CUSTODIAN

RBC Dexia Investor Services Trust

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