

MIDDLEFIELD

CORPORATE PROFILE

Since its inception in 1979, the Middlefield Group, with approximately \$4.5 billion in assets under management, has established an excellent 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, Private and Public Resource Funds, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Partnerships.

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. In 2014, we entered into an exclusive arrangement with Sector & Sovereign Research, LLC ("SSR"), based in Stamford, Connecticut. SSR provides specialized research into sub-sectors of the economy such as healthcare and technology. Their unique and proprietary approach to investment research involves simultaneously maintaining both a broad view of the industries they cover as well as fundamental analysis of the sub-sectors that make up those industries.

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: MBN, its strategies, goals and objectives; prospects; future performance or condition; possible future actions to be taken by MBN; and the performance of investments, securities, issuers or industries in which MBN 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 MBN'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 MBN 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 MBN invests; the effects of competition in the industries or geographic areas in which MBN 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. MBN 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.

MIDDLEFIELD® GLOBAL EQUITY TEAM PROVIDING INVESTORS WITH ACCESS TO SECTORS THAT ARE UNDERREPRESENTED IN CANADA

MIDDLEFIELD'S GLOBAL MUTUAL FUNDS

- Middlefield Global Healthcare Dividend Fund
- Middlefield U.S. Dividend Growers Class
- Middlefield Global Dividend Growers Class
- Middlefield Global Infrastructure Fund
- Middlefield Global Agriculture Class
- Middlefield Real Estate Class
- Middlefield Global Energy Class

“Actively managed U.S. and International portfolios
are a good way to diversify and enhance yield.”

DEAN ORRICO

President and Chief Investment Officer,
Middlefield Capital Corporation



OUR TEAM OF GLOBAL EXPERTS

(L to R) MATTHEW WATSON, Executive Director and Portfolio Manager, ROB LAUZON, Managing Director and Deputy Chief Investment Officer, DEAN ORRICO, President and Chief Investment Officer, and ANDY NASR, Managing Director and Senior Portfolio Manager



TORONTO STOCK EXCHANGE SYMBOL: GBF



TORONTO STOCK EXCHANGE SYMBOL: GRL



TORONTO STOCK EXCHANGE SYMBOL: GDG.UN



TORONTO STOCK EXCHANGE SYMBOL: GHC.UN



TORONTO STOCK EXCHANGE SYMBOL: GIF.UN



TORONTO STOCK EXCHANGE SYMBOL: US



TORONTO STOCK EXCHANGE SYMBOL: RCO.UN



LONDON STOCK EXCHANGE SYMBOL: MCT



YOUR PARTNER IN INCOME & GROWTH SINCE 1979

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1.888.890.1868 www.middlefield.com invest@middlefield.com

MBN CORPORATION PROFILE

MBN CORPORATION (“MBN” OR THE “COMPANY”) IS MANAGED BY MIDDLEFIELD LIMITED, WHICH IS A MEMBER OF THE MIDDLEFIELD GROUP. THE COMPANY’S PRINCIPAL OBJECTIVE IS TO CREATE LONG-TERM VALUE THROUGH A DUAL TRACK STRATEGY OF: (I) GROWING MBN’S ASSETS UNDER MANAGEMENT THROUGH MERGERS WITH OTHER INVESTMENT FUNDS; AND (II) PURSUING OPPORTUNITIES WITH THE BROADER FINANCIAL SERVICES SECTOR TO ACQUIRE INVESTMENT MANAGEMENT COMPANIES AND/OR ESTABLISH SUCH COMPANIES WORKING WITH PROVEN INVESTMENT MANAGERS.

SHAREHOLDERS MESSAGE AND OUTLOOK

It was a challenging year for North American equity markets. Sharp fluctuations in commodity prices, currencies and yields have fueled investor apprehension and increased volatility. Geopolitical issues have returned to the forefront with increasing concerns about economic growth in China and a delayed recovery in commodity prices. While the U.S. Federal Reserve recently raised interest rates for the first time since 2006, the European Central Bank is looking to stimulate economic activity by executing its quantitative easing program and maintaining low or even negative rates. As the U.S. labour market approaches full employment, we expect higher wages to encourage both consumers and corporations to increase spending after years of debt and expense reduction. As a result of the ongoing divergence in central bank policies and economic growth prospects, global portfolio diversification remains critical to achieving superior risk adjusted returns.

The U.S. is in the midst of a prolonged business cycle, which should create greater demand for Canadian exports and improve domestic corporate profitability. Despite the challenging commodity price environment, Canadian economic activity has benefited from low interest rates, a resilient housing market and a weaker Canadian dollar. Although valuations in Canada have become more attractive with forward earnings multiples below their 10-year average, our global portfolios remain skewed towards the U.S. where economic growth and improved margins should support equity multiple expansion.

In 2015, the Company benefited from the appreciation of the U.S. dollar on its U.S. stock portfolio and cash balances. The positive but modest growth in the U.S. economy also drove an appreciation in a number of portfolio holdings including Microsoft, Merck & Co. and General Electric. These companies are good examples of MBN’s focus on large, best-in-class issuers with positive earnings momentum or a catalyst event contributing to growth in shareholder equity.

MBN is focused on a dual track strategy to create long-term shareholder value. The first track is to grow assets under management through mergers with other investment funds in order to provide investors with increased trading liquidity and a reduction in administrative expenses. The second track is to pursue opportunities within the broader financial services sector to acquire other investment management companies and/or establish such companies with best-in-class investment managers.



Dean Orrico
President, CEO and Chief Investment Officer
Middlefield Capital Corporation



Robert Lauzon
President, CEO and Deputy Chief Investment Officer
Middlefield Limited

INVESTMENT PHILOSOPHY

SHAREHOLDER VALUE The fundamental principle underpinning MBN's activities is the maximization of shareholder value. As a result, it is the focus of management to increase the underlying value of the Company's assets through internal growth and acquisitions, and having that value reflected in the share price.

INVESTMENT STYLE MBN's investment style is to actively seek out undervalued situations where there exists the strong possibility of near term capital appreciation and excellent long-term growth potential.

RISK MANAGEMENT A fundamental principle underlying MBN's operations is the identification and mitigation of investment risk through a disciplined investment process and the appropriate structuring of each transaction.

MANAGEMENT COMMITMENT The most effective way to align the interests of management and those of its shareholders is through management having a significant ownership stake. Management has made large personal investments in MBN.

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.

Shareholders 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 Report of Fund Performance

Investment Objective and Strategies

The investment objective of MBN Corporation ("MBN") is to create long-term value through a dual track strategy of: (i) growing MBN's assets under management through mergers with other investment funds; and (ii) pursuing opportunities with the broader financial services sector to acquire investment management companies and/or establish such companies working with proven investment managers.

Risk

MBN is exposed to several risks that may affect its performance. The overall risk of MBN is as described in its prospectus dated July 24, 2007. During the past year, the overall risk level of MBN 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. Equity markets, interest rates and commodity prices continue to exhibit volatility due to macroeconomic uncertainties and concerns about slowing economic growth. The Fund seeks to mitigate risk through active management and diversification.

Results of Operations

Investment Performance

During 2015, the total equity of MBN increased from \$30.0 million at December 31, 2014 to \$33.0 million at December 31, 2015. On a per equity share basis, total equity increased from \$7.03 at December 31, 2014 to \$7.93 at December 31, 2015. MBN recorded net realized and unrealized gains on its investment portfolio of \$3.4 million or \$0.81 per share in 2015.

Revenue and Expenses

Revenue for the year ended December 31, 2015 amounted to approximately \$4.1 million, up from approximately \$1.9 million in 2014 due to gains on the investment portfolio. Expenses for 2015 totalled \$0.6 million, reflecting a slight decrease over the prior year. The management expense ratio ("MER") remained unchanged at 1.65% in 2015. As a result, profit after tax increased to \$3.5 million from \$1.2 million in the prior year. On a per equity share basis the profit after tax during 2015 increased to \$0.84 from \$0.28 in 2014.

Trends

It was a challenging year for North American equity markets. Sharp fluctuations in commodity prices, currencies and yields have fueled investor apprehension and increased volatility. Geopolitical issues have returned to the forefront with increasing concerns about economic growth in China and a delayed recovery in commodity prices. While the U.S. Federal Reserve recently raised interest rates for the first time since 2006, the European Central Bank is looking to stimulate economic activity through quantitative easing and low interest rates. As the U.S. labour market approaches full employment, we expect higher wages to encourage both consumers and corporations to increase spending after years of debt and expense reduction.

As a result of the ongoing divergence in central bank policies and economic growth prospects, global portfolio diversification remains critical to achieving superior risk adjusted returns.

Related Party Transactions

Pursuant to a management agreement, Middlefield Limited (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 the Advisor to MBN, receives advisory fees from the Manager out of the management fee. MCC also receives brokerage commissions in connection with securities transactions from MBN. All brokerage commissions paid by MBN to MCC 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 MBN and are split between the Manager and the Advisor. The Manager receives fees for the general administration of MBN, 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 MBN.

Recent Developments

On September 18, 2015, MBN received approval from the Toronto Stock Exchange to make a normal course issuer bid for its equity shares. The notice of intent (the "Notice") enables MBN to purchase up to 325,653 equity shares being 10% of the public float of the equity shares, during the 12 month period from September 23, 2015 to September 22, 2016. Shareholders may obtain a copy of the Notice, without charge, by contacting MBN.

Financial Highlights

For financial years beginning before January 1, 2013, Total Equity is calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). For financial years beginning on or after January 1, 2013, Total Equity is calculated in accordance with International Financial Reporting Standards ("IFRS").

"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.

The following tables show selected key financial information about MBN and are intended to help you understand MBN's financial performance for the indicated periods. Ratios and Supplemental Data are derived from MBN's Net Asset Value.

MBN's Total Equity per Equity Share ⁽¹⁾

	2015	2014	2013	2012	2011
Total Equity, Beginning of Year	\$ 7.03	\$ 6.68	\$ 5.96	\$ 6.55	\$ 6.64
INCREASE (DECREASE) FROM OPERATIONS:					
Total Revenue	0.16	0.05	0.10	0.44	0.06
Total Expenses ⁽³⁾	(0.12)	(0.12)	(0.16)	(0.28)	(0.20)
Total Income Tax Recovery (Expense)	–	–	–	–	0.08
Realized Gains (Losses) for the Year	0.55	0.81	0.28	(0.71)	0.44
Unrealized Gains (Losses) for the Year	0.26	(0.44)	0.52	0.03	(0.48)
Transaction Costs on Purchase and Sale of Investments	(0.01)	(0.02)	(0.02)	(0.01)	(0.05)
TOTAL INCREASE (DECREASE) FROM OPERATIONS ⁽²⁾					
	0.90	0.35	0.72	(0.59)	(0.09)
Total Equity, End of Year	\$ 7.93	\$ 7.03	\$ 6.68	\$ 5.96	\$ 6.55

- (1) This information is derived from MBN's audited annual financial statements, with the exception of 2013 information, which was re-stated in accordance with IFRS requirements.
- (2) Total Equity is based on the actual number of 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 year. This schedule is not a reconciliation of Total Equity since it does not reflect securityholder transactions as shown on the Statements of Changes in Equity and accordingly columns may not add.
- (3) There were no dividends paid by MBN.

Ratios and Supplemental Data

	2015	2014	2013	2012	2011
Total Assets (000s) ⁽¹⁾	\$ 33,062	\$ 30,089	\$ 29,827	\$ 14,887	\$ 8,135
Total Net Asset Value (000s) ⁽¹⁾	\$ 32,970	\$ 30,008	\$ 29,717	\$ 14,821	\$ 6,955
Number of Equity Shares Outstanding ⁽¹⁾	4,155,551	4,265,751	4,451,251	2,486,382	1,057,471
Management Expense Ratio ("MER") ⁽²⁾	1.65%	1.65%	2.47%	17.78%	2.91%
MER Excluding Interest Expense and Issuance Costs ⁽²⁾	1.65%	1.65%	2.46%	17.04%	2.69%
Trading Expense Ratio ⁽³⁾	0.14%	0.33%	0.30%	0.20%	0.75%
Portfolio Turnover Rate ⁽⁴⁾	1,265.21%	859.97%	438.40%	609.62%	150.55%
Net Asset Value per Equity Share	\$ 7.93	\$ 7.03	\$ 6.68	\$ 5.96	\$ 6.58

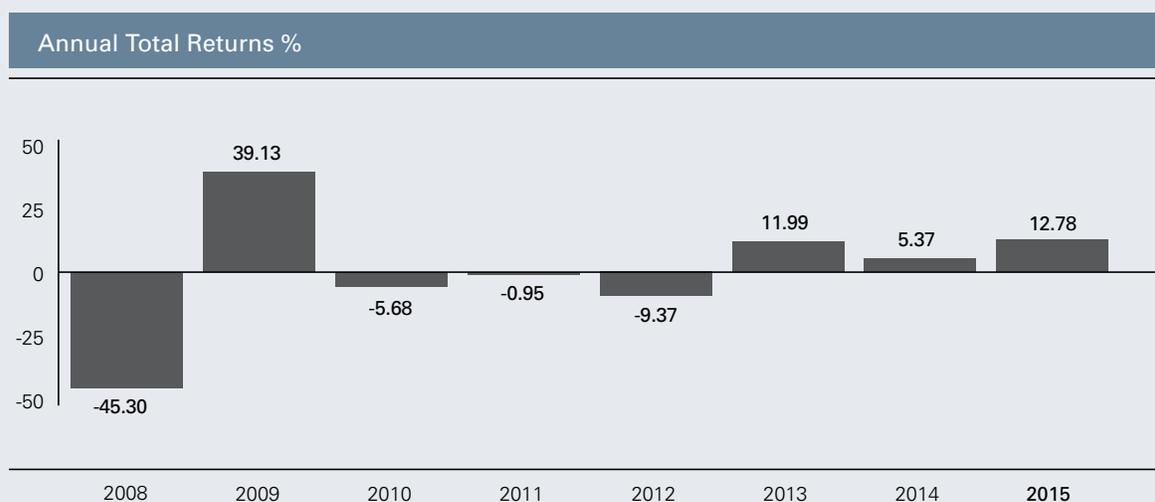
- (1) This information is provided as at December 31 of the year shown.
- (2) The MER is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average Net Asset Value during the year. The MER excluding interest expense and issuance costs has been presented separately as it expresses only the ongoing management and administrative expenses of MBN 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 year.
- (4) MBN's portfolio turnover rate indicates how actively MBN's portfolio investments are managed. A portfolio turnover rate of 100% is equivalent to MBN buying and selling all of the securities in its portfolio once in the course of the year. The higher MBN's portfolio turnover rate in a year, the greater the trading costs payable by MBN 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.

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 MBN 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 MBN'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.



Annual Compound Returns

	Periods Ended December 31, 2015			
	One Year	Three Years	Five Years	Since Inception
MBN Corporation	12.78%	9.99%	3.62%	-1.92%
S&P/TSX Composite Total Return Index	-8.32%	4.62%	2.30%	2.40%

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

MBN's total return of 12.78% outperformed the -8.32% generated by the Index. MBN's performance in 2015 was positively impacted by geographic allocation and stock selection.

Summary of Investment Portfolio

AS AT DECEMBER 31, 2015

Top Twenty-Five Holdings*

DESCRIPTION	% OF NET ASSET VALUE
1 Microsoft Corporation	4.7
2 Apple Inc.	4.4
3 General Electric Company	3.9
4 The Goldman Sachs Group Inc.	3.8
5 Bank of America Corporation	3.6
6 Enbridge Inc.	3.5
7 Amgen Inc.	3.4
8 TransAlta Renewables Inc.	3.1
9 Bristol-Myers Squibb Company	2.9
10 Newell Rubbermaid Inc.	2.8
11 JPMorgan Chase & Co.	2.8
12 Wells Fargo & Co.	2.3
13 Discover Financial Services	2.3
14 Merck & Co., Inc.	2.2
15 The Walt Disney Company	2.2
16 Citigroup Inc.	2.2

"Top Twenty-Five Holdings" excludes any temporary cash investments.

*MBN has only 16 holdings.

ASSET CLASS	% OF NET ASSET VALUE
Financials	17.0
Technology	9.1
Healthcare	8.5
Consumer Discretionary	5.0
Industrials	3.9
Pipelines	3.5
Utilities	3.1
Cash and Short-Term Investments	50.1
Other Assets (Liabilities)	(0.2)
	100.0

TOTAL NET ASSET VALUE	\$	32,969,854
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TOTAL ASSETS	\$	33,061,643
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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 ("MBN") have been prepared by Middlefield Limited (the "Manager"), the manager of MBN 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 International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to MBN 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 LLP is the external auditor of MBN. They have audited the financial statements of MBN 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 22, 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.

TO THE SHAREHOLDERS OF MBN CORPORATION

We have audited the accompanying financial statements of MBN Corporation, which comprise the statements of financial position as at December 31, 2015 and December 31, 2014, and the statements of comprehensive income, statements of changes in equity and statements of 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 International Financial Reporting Standards, 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, 2015 and December 31, 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants
March 22, 2016
Toronto, Ontario

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Statements of Financial Position

AS AT DECEMBER 31
(In Canadian Dollars)

	2015	2014
ASSETS		
Current Assets		
Investments at Fair Value through Profit or Loss	\$ 16,506,438	\$ 17,276,688
Cash	16,527,165	11,655,922
Income and Interest Receivable	28,040	6,935
Accounts Receivable – Portfolio Securities Sold	–	1,149,800
Total Assets	33,061,643	30,089,345
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	91,789	80,977
Net Assets	\$ 32,969,854	\$ 30,008,368
EQUITY		
Shareholders' Equity (Note 9)	\$ 36,723,663	\$ 37,825,663
Retained Earnings (Deficit)	(3,753,809)	(7,817,295)
Total Equity	\$ 32,969,854	\$ 30,008,368
Equity Shares Issued and Outstanding	4,155,551	4,265,751
Total Equity per Share	\$ 7.93	\$ 7.03

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

Approved by the Board of Directors:



Director: Vince E. Greco



Director: Robert F. Lauzon

FINANCIAL STATEMENTS

Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31

(In Canadian Dollars)

	2015	2014
REVENUE (LOSS)		
Income from Investments	\$ 502,229	\$ 53,173
Interest Income	188,630	180,234
Securities Lending Income (Loss) (Note 11)	(2,009)	332
Foreign Exchange Gain (Loss) on Cash	1,450,301	746,580
Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss		
Net Realized Gain (Loss) from Investment Transactions	882,541	2,826,558
Change in Net Unrealized Gain (Loss) on Investments	618,275	(1,979,371)
Change in Net Unrealized Gain (Loss) on Foreign Currency Transactions	460,355	41,046
Total Revenue (Loss)	4,100,322	1,868,552
OPERATING EXPENSES (Note 8)		
Audit Fees	12,113	12,081
Custodial Fees	2,035	2,064
Fund Administration Costs	94,465	80,213
Legal Fees	10,260	47,163
Management Fee	367,429	376,361
Securityholder Reporting Costs	32,437	27,887
Service Fees	–	(29,303)
Transaction Costs (Note 10)	43,312	102,634
Total Operating Expenses	562,051	619,100
Operating Profit (Loss)	3,538,271	1,249,452
Finance Costs	–	2,573
Profit (Loss) before Tax	3,538,271	1,246,879
Withholding Taxes	8,672	903
Profit (Loss) after Tax	\$ 3,529,599	\$ 1,245,976
Profit (Loss) after Tax per Equity Share (Note 9)	\$ 0.84	\$ 0.28

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

FINANCIAL STATEMENTS

Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31 (In Canadian Dollars)	Shareholders' Equity	Retained Earnings (Deficit)	Total
Balance at January 1, 2014	\$ 39,680,663	\$ (9,964,127)	\$ 29,716,536
Profit (Loss) after Tax	–	1,245,976	1,245,976
Repurchase of Equity Shares	(1,855,000)	900,856	(954,144)
Balance at December 31, 2014	\$ 37,825,663	\$ (7,817,295)	\$ 30,008,368
Balance at January 1, 2015	\$ 37,825,663	\$ (7,817,295)	\$ 30,008,368
Profit (Loss) after Tax	–	3,529,599	3,529,599
Repurchase of Equity Shares	(1,102,000)	533,887	(568,113)
Balance at December 31, 2015	\$ 36,723,663	\$ (3,753,809)	\$ 32,969,854

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31 (In Canadian Dollars)	2015	2014
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit (Loss) after Tax	\$ 3,529,599	\$ 1,245,976
Adjustments:		
Purchases of Investments	(213,099,090)	(509,444,078)
Proceeds from Disposition of Investments	216,519,956	515,646,698
Foreign Exchange (Gain) Loss on Cash	(1,910,656)	(787,626)
Net Realized (Gain) Loss from Investment Transactions	(882,541)	(2,826,558)
Change in Net Unrealized (Gain) Loss on Investments	(618,275)	1,979,371
	3,538,993	5,813,783
Net Change in Non-Cash Working Capital	(10,293)	(8,163)
Net Cash from (used in) Operating Activities	3,528,700	5,805,620
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Repurchase of Equity Shares	(568,113)	(954,144)
Net Cash from (used in) Financing Activities	(568,113)	(954,144)
Net Increase (Decrease) in Cash	2,960,587	4,851,476
Foreign Exchange Gain (Loss) on Cash	1,910,656	787,626
Cash at Beginning of Year	11,655,922	6,016,820
Cash at End of Year	\$ 16,527,165	\$ 11,655,922

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

FINANCIAL STATEMENTS

Schedule of Investment Portfolio

AS AT DECEMBER 31, 2015

Description	No. of Securities	Average Cost	Fair Value
Bank of America Corporation	50,000	\$ 1,181,929	\$ 1,168,929
Citigroup Inc.	10,000	732,762	718,860
Discover Financial Services	10,000	753,629	744,836
JPMorgan Chase & Co.	10,000	905,821	917,223
The Goldman Sachs Group Inc.	5,000	1,241,438	1,251,788
Wells Fargo & Co.	10,000	741,910	755,115
FINANCIALS: 16.8%		5,557,489	5,556,751
Apple Inc.	10,000	1,558,981	1,462,168
Microsoft Corporation	20,000	1,509,900	1,541,346
TECHNOLOGY: 9.1%		3,068,881	3,003,514
Amgen Inc.	5,000	1,127,466	1,127,464
Bristol-Myers Squibb Company	10,000	941,585	955,563
Merck & Co., Inc.	10,000	710,370	733,723
HEALTHCARE: 8.5%		2,779,421	2,816,750
Newell Rubbermaid Inc.	15,000	885,399	918,474
The Walt Disney Company	5,000	771,144	729,834
CONSUMER DISCRETIONARY: 5.0%		1,656,543	1,648,308
General Electric Company	30,000	1,238,327	1,298,115
INDUSTRIALS: 3.9%		1,238,327	1,298,115
Enbridge Inc.	25,000	1,150,295	1,150,000
PIPELINES: 3.6%		1,150,295	1,150,000
TransAlta Renewables Inc., Subscription Receipts	100,000	975,000	1,033,000
UTILITIES: 3.1%		975,000	1,033,000
TRANSACTION COSTS (Note 10)		(2,468)	–
TOTAL INVESTMENTS: 50.0%		16,423,488	16,506,438
CASH: 50.0%		16,527,165	16,527,165
Total Investment Portfolio, Including Cash		\$ 32,950,653	\$ 33,033,603

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

1. MBN Corporation

MBN Corporation (“MBN”) is a corporation continued under the laws of Alberta. On February 23, 2012, Middlefield Tactical Energy Corporation amalgamated with Middlefield Bancorp Limited (“Bancorp”) and changed its name to MBN Corporation. Middlefield Limited, a company incorporated in Alberta, is the manager of MBN (the “Manager”). Middlefield Capital Corporation (“MCC” or the “Advisor”), a company under common control with the Manager, is the advisor to MBN. Groppe, Long & Littell acts as special advisor to MCC. MBN 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 under the trading symbol “OCF”. On February 27, 2012, MBN 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 MBN is that which appears under the symbol “OCF”. On August 28, 2013, MBN merged with Uranium Focused Energy Fund (“Uranium”) with MBN being the continuing fund. The address of MBN’s registered office is 812 Memorial Drive N.W., Calgary, Alberta. These financial statements, expressed in Canadian Dollars, were authorized for issuance by the board of directors of MBN on March 22, 2016.

2. Investment Objective and Strategy

MBN’s investment objective is to create long-term value through a dual track strategy of: (i) growing MBN’s assets under management through mergers with other investment funds; and (ii) pursuing opportunities with the broader financial services sector to acquire investment management companies and/or establish such companies working with proven investment managers.

3. Basis of Presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

4. Summary of Significant Accounting Policies

A. Financial Instruments

MBN’s financial instruments may include: short-term investments, fixed income, equities, structured products, derivatives (collectively referred to as “investments”), cash, accounts receivable – portfolio securities sold, income and interest receivable, accounts receivable, prepaid expenses, accounts payable – portfolio securities purchased and accounts payable and accrued liabilities. MBN recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. MBN’s investments and derivative assets and liabilities are measured at fair value. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate. MBN’s accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (“NAV”) for transactions with securityholders.

MBN only offsets financial assets and financial liabilities if MBN has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

4. Summary of Significant Accounting Policies (Continued)

B. Fair Value Measurement

MBN's own credit risk and the credit risk of the counterparty are taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Investments and futures contracts are valued at fair value using the policies described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. MBN uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. MBN uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference 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 and relying as little as possible on entity specific inputs.

C. Shareholder's Equity

MBN's equity shares are classified as equity as MBN has full discretion with respect to the extent and timing of the repurchase of equity shares. Incremental costs directly attributable to the issue or redemption of equity shares are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost. Where MBN repurchases its own equity shares, the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to MBN's securityholders until the equity shares are cancelled, re-issued or disposed of. Where such equity shares are subsequently sold or reissued, any consideration received is included in equity attributable to MBN's equity holders.

D. Derivative Transactions

MBN may use derivatives, such as futures contracts, to hedge against losses caused by changes in commodity or index prices. Futures contracts are valued using the last traded price of the accredited futures exchange on which the corresponding futures contract is primarily traded. The value of a futures contract fluctuates daily, and cash settlements made daily, where applicable, by MBN are equal to the unrealized gains or losses on a "mark to market" basis. These unrealized gains or losses are recorded and reported as such until MBN closes out the contract or the contract expires. Margin paid or deposited in respect of a futures contract is reflected in the Statements of Financial Position. Any change in the margin requirement is settled daily. Realized gains or losses from derivative instruments are included in the Statements of Comprehensive Income – Net Realized Gain (Loss) from Investment Transactions. Derivative transactions can only be made with counterparties that have a minimum acceptable credit rating.

E. 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 on bank deposits shown on the Statements of Comprehensive Income represents the interest received by MBN accounted for on an accrual basis. The interest income is the tax basis of calculating the interest received and which is subject to tax. Income distributions received are treated consistently with dividends and interest and recorded in income in the Statements of Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

4. Summary of Significant Accounting Policies (Continued)

F. Profit or Loss after Tax per Equity Share

Total profit or loss after tax per equity share in the Statements of Comprehensive Income represents the profit or loss after tax divided by the average equity shares outstanding during the year.

G. Taxation

MBN does not qualify 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.

MBN currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

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 by Category

MBN classifies its investments at fair value through profit or loss ("FVTPL"). This category has two sub-categories: financial assets and liabilities held for trading and those designated at FVTPL at inception.

A financial asset or liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial instruments that are managed together and which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and financial liabilities designated at FVTPL at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with MBN's investment strategy. MBN's derivative financial instruments are classified as held for trading. All other investments are designated at FVTPL at inception. All other financial assets are classified as loans and receivables. All financial liabilities are classified as "other financial liabilities".

J. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that MBN has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which MBN operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The majority of MBN's investments and transactions are denominated in Canadian dollars. Investor subscriptions and redemptions are also received and paid in Canadian dollars. Accordingly, management has determined that the functional currency of MBN is Canadian dollars.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

MBN may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, MBN may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

4. Summary of Significant Accounting Policies (Continued)

J. Critical Accounting Estimates and Judgments (Continued)

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. MBN considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of MBN's financial instruments.

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by MBN, the Manager is required to make significant judgments about whether or not the business of MBN is to invest on total return basis for the purpose of applying the fair value option for the financial assets under IAS 39, Financial Instruments – Recognition and Measurement.

The most significant judgment made includes the determination that certain investments are held-for-trading and the fair value option can be applied to those which are not.

K. Securities Lending

MBN may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and is included in the Statements of Comprehensive Income.

L. Future Accounting Changes

The following standards have been issued by the IASB but have not been adopted by the Fund since they are not yet effective.

The IASB issued IFRS 9 which replaces IAS 39, the current standard for accounting for financial instruments. The standard covers:

- Classification and measurement: requires that financial assets be classified at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristic of the financial assets.
- Impairment methodology: replaces the current incurred loss model for impairment of financial assets with an expected loss model.
- Hedge accounting: replaces the current rule-based hedge accounting requirements in IAS 39 with guidance that more closely aligns the accounting with an entity's risk management activities.

This standard is effective for annual periods beginning on or after January 1, 2018 and the impact of the standard is currently being assessed.

In December 2014, Disclosure Initiative was issued, which amends IAS 1 Presentation of Financial Statements. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. The Company will amend disclosures if required in the 2016 Financial Statements.

5. Fair Value Disclosure

MBN classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The fair value of MBN's financial instruments is classified into levels using the following fair value hierarchy:

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

5. Fair Value Disclosure (Continued)

- 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.

MBN's investments at fair value as at December 31, 2015 and 2014 trade in active markets and are therefore classified as Level 1.

All fair value measurements are recurring. The carrying values of cash, income and interest receivable, accounts receivable – portfolio securities sold and accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. Fair values of MBN's investments in common shares and subscription receipts are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

MBN's policy is to recognize transfers in and out of the fair value hierarchy levels as at the end of the reporting period for transfers between Levels 1 and 2 and as at the date of the transfer for transfers in and out of Level 3. No transfers between levels have occurred during the years ended December 31, 2015 and 2014.

6. Financial Risk Management

In the normal course of business MBN is exposed to a variety of financial risks: price risk, interest rate risk, foreign exchange rate risk, liquidity risk, credit risk and concentration risk. MBN'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 MBN's risks and related exposures are consistent with its objectives and risk tolerance.

Most of MBN's risks are derived from its investments. The value of the investments within the MBN 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 held by MBN. The investments are made in accordance with MBN'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 MBN's investments will affect MBN's income or the value of its financial instruments. MBN'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. MBN 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. MBN's market positions are monitored on a daily basis by the portfolio manager and regular financial reviews of publicly available information related to MBN's investments are performed to ensure that any risks are within established levels of risk tolerance. MBN is exposed to price risk through the following financial instrument:

	2015	2014
Investments at FVTPL	\$ 16,506,438	\$ 17,276,688

Based on the above exposure at December 31, 2015 a 10% increase or decrease in the prices of MBN's investments would result in a \$1,650,644 (2014 – \$1,727,669) increase or decrease in total equity of MBN, with all other factors held constant.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

6. Financial Risk Management (Continued)

B. Interest Rate Risk

Interest rate risk describes MBN's exposure to changes in the general level of interest rates. MBN's interest rate risk is attributable to interest-bearing financial assets such as cash and to financial liabilities such as loan payable. MBN'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. MBN has not hedged its exposure to interest rate movements. MBN 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. MBN is exposed to interest rate risk through the following financial instrument:

	2015	2014
Cash	\$ 16,527,165	\$ 11,655,922

Based on the above exposure at December 31, 2015, a 1% per annum increase or decrease in interest rates would result in a \$165,272 (2014 – \$116,559) increase or decrease in total equity of MBN as at December 31, 2015 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 MBN's functional and reporting currency. Foreign investments, commodities, cash, 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. MBN's exposure to foreign exchange risk relates primarily to its investment in securities, which are denominated in U.S. dollars. MBN has not hedged its exposure to currency fluctuations; however, it closely monitors relevant foreign exchange currency movements. MBN is exposed to foreign exchange rate risk through the following financial instruments:

	2015	2014
Investments at FVTPL	\$ 14,323,438	\$ 11,505,438
Cash	13,769,721	4,779,864
Income and Interest Receivable	18,065	–
Total Exposure	\$ 28,111,224	\$ 16,285,302

Based on the above exposure at December 31, 2015 a 10% increase or decrease in the Canadian dollar against the U.S. dollar would result in a \$2,811,122 (2014 – \$1,628,530) decrease or increase in total equity of MBN, with all other factors held constant.

D. Liquidity Risk

Liquidity risk is defined as the risk that MBN may not be able to settle or meet its obligations when due. MBN's obligations are due within one year. Liquidity risk is managed by investing the majority of MBN's assets in investments that are traded in an active market and can be readily sold. MBN retains sufficient cash to maintain liquidity and comply with liquidity requirements as outlined by securities legislation and its investment policies.

MBN may invest in securities that are not traded on a public stock exchange that may be illiquid. As a result, MBN may not be able to dispose of these investments in a timely manner. MBN 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. MBN's investment policies and securities legislation limit the amounts invested in illiquid securities and these limits are monitored. As at December 31, 2015 and 2014, MBN did not hold any illiquid securities.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

6. Financial Risk Management (Continued)

D. Liquidity Risk (Continued)

The tables below present MBN's financial liabilities based on the remaining period to the contractual maturity date. The amounts in the tables reflect the contractual undiscounted cash flows.

As at December 31, 2015

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Accounts Payable and Accrued Liabilities	\$ 91,789	\$ -	\$ -	\$ 91,789

As at December 31, 2014

Financial Liabilities	Less than 1 Month	1 to 3 Months	3 Months to 1 Year	Total
Accounts Payable and Accrued Liabilities	\$ 80,977	\$ -	\$ -	\$ 80,977

E. Credit Risk

Credit risk represents the financial loss that MBN would experience if a counterparty to a financial instrument failed to meet its obligations to MBN. The carrying amounts of financial assets represent the maximum credit exposure. All transactions executed by MBN 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 MBN's receivables.

MBN 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.

MBN has also implemented policies which ensure that investments can only be made with counterparties that have a minimum acceptable credit rating.

F. Concentration Risk

MBN is exposed to the possible risk inherent in the concentration of the investment portfolio in a small number of industries or investment sectors. The Manager moderates this risk through careful selection of securities in several investment sectors. At December 31, 2015, and 2014, the percentages of MBN's total equity invested in each investment sector were as follows:

Sector	As a % of Total Equity	
	2015	2014
Financials	17.0	22.9
Technology	9.1	10.0
Healthcare	8.5	3.8
Consumer Discretionary	5.0	-
Industrials	3.9	-
Pipelines	3.5	-
Utilities	3.1	-
Energy	-	17.4
Gold	-	3.5
Total	50.1	57.6

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

7. Capital Management

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

MBN manages and adjusts its capital in response to general economic conditions, the risk characteristics of the underlying assets and working capital requirements. In order to maintain or adjust its capital structure MBN may enter into repurchase agreements or undertake other activities deemed appropriate under the specific circumstances. MBN is not subject to any externally imposed capital requirements.

8. Management Fee and Operating Expenses

The Manager provides investment and administrative services to MBN. 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 MBN and preparation and distribution of financial statements and other documents to shareholders. MBN is responsible for the payment of all expenses relating to the operation of MBN and the carrying on of its business.

9. Shareholders' Equity

MBN is authorized to issue an unlimited number of transferable, non-redeemable equity shares, each of which represents an equal, undivided interest in the total equity of MBN. MBN is also authorized to issue an unlimited number of shares 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 MBN 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 MBN. 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. During 2015, MBN issued nil equity shares (2014 – nil) and purchased 110,200 equity shares (2014 – 185,500) pursuant to a normal course issuer bid.

The average number of equity shares outstanding during 2015 was 4,219,354 (2014 – 4,415,186). This number was used to calculate the Profit (Loss) after Tax per equity share.

There were no dividends or other distributions paid to shareholders during 2015 and 2014.

10. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions for the year ended December 31, 2015 amounted to \$43,312 (2014 – \$102,634). Included in this amount is \$14,405 (2014 – \$18,451) in brokerage commissions that were paid to MCC. All commissions paid by MBN to MCC were at or below market rates. Brokerage commissions and other transaction costs are expensed and recorded in the Statements of Comprehensive Income.

11. Securities Lending

MBN has entered into a securities lending program with its custodian. MBN receives collateral of at least 105% of the value of the securities on loan. Collateral is generally comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies. Collateral may also be comprised of securities that are convertible into, or exchangeable for, securities of the same issuer as the securities that are on loan. The market values of the securities on loan and the related collateral at December 31, 2015 were \$0.7 million and \$0.8 million (2014 – \$nil and \$nil), respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

12. Income Taxes and Loss Carryforwards

A reconciliation of the income taxes computed at the Canadian statutory tax rate of 26.00% (2014 – 25.00%) to the effective tax rate is as follows:

	2015		2014		
Income before Income Taxes	\$	3,529,599	\$	1,245,976	
Computed Expected Tax Expense		917,696	26.00%	311,494	25.00%
Difference related to:					
Non-taxable Portion of Capital Gains		(617,622)	(17.50%)	151,564	12.16%
Dividends not Taxable for Income					
Tax Purposes		(6,292)	(0.18%)	(7,022)	(0.56%)
Utilization of Previously					
Unrecognized Loss Carryforwards		(293,782)	(8.32%)	(456,037)	(36.60%)
Total Income Tax Expense	\$	-	-	\$	--

At December 31, 2015, MBN had capital losses of \$13,353,966 (2014 – \$15,425,968) and non-capital losses of \$14,771,128 (2014 – \$14,393,248) available for carryforward for tax purposes and deductible temporary differences of \$17,590 (2014 – \$35,180) for which MBN has not recognized a deferred tax asset. The capital losses can be carried forward indefinitely. The expiry dates of the non-capital losses are as follows:

Expiry Date	Amount
December 31, 2028	\$ 4,488,581
December 31, 2029	2,509,396
December 31, 2030	2,367,928
December 31, 2031	4,545,534
December 31, 2032	481,809
December 31, 2035	377,880
	\$ 14,771,128

MIDDLEFIELD FUNDS FAMILY

TSX-LISTED FUNDS

TSX Stock Symbol

• ACTIVEnergy Income Fund	AEU.UN
• American Core Sectors Dividend Fund	ACZ.UN
• COMPASS Income Fund	CMZ.UN
• Globalance Dividend Growers Corp.	GBF
• Global Dividend Growers Income Fund	GDG.UN
• Global Healthcare Dividend Fund	GHC.UN
• Global Infrastructure Dividend Fund	GIF.UN
• Global Real Estate Dividend Growers Corp.	GRL
• INDEXPLUS Income Fund	IDX.UN
• MBN Corporation	MBN
• Middlefield Can-Global REIT Income Fund	RCO.UN
• MINT Income Fund	MID.UN
• Pathfinder Income Fund	PCD.UN
• REIT INDEXPLUS Income Fund	IDR.UN
• U.S. Dividend Growers Income Corp.	US
• YIELDPLUS Income Fund	YP.UN

MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS

Fund Code

Series A Units

FE/LL/DSC

• Middlefield Global Healthcare Dividend Fund	MID 225/227/230
• Middlefield Global Infrastructure Fund	MID 510/519/520

Series F Units

• Middlefield Global Healthcare Dividend Fund	MID 226
• Middlefield Global Infrastructure Fund	MID 501

MIDDLEFIELD MUTUAL FUNDS CORPORATE CLASS FUNDS

Fund Code

Series A Shares

FE/LL/DSC

• Middlefield Canadian Dividend Growers Class	MID 148/449/450
• Middlefield Global Agriculture Class	MID 161/163/166
• Middlefield Global Dividend Growers Class	MID 181/183/186
• Middlefield Global Energy Class	MID 125/127/130
• Middlefield High Yield Class	MID 300/349/350
• Middlefield Income Plus Class	MID 800/849/850
• Middlefield Real Estate Class	MID 600/649/650
• Middlefield Resource Class	MID 910/919/920
• Middlefield Short-Term Income Class	MID 400/424/425
• Middlefield U.S. Dividend Growers Class	MID 710/719/720

Series F Shares

• Middlefield Canadian Dividend Growers Class	MID 149
• Middlefield Global Agriculture Class	MID 162
• Middlefield Global Dividend Growers Class	MID 182
• Middlefield Global Energy Class	MID 126
• Middlefield High Yield Class	MID 301
• Middlefield Income Plus Class	MID 801
• Middlefield Real Estate Class	MID 601
• Middlefield Resource Class	MID 901
• Middlefield U.S. Dividend Growers Class	MID 701

RESOURCE FUNDS

- MRF 2014 Resource Limited Partnership
- MRF 2015 Resource Limited Partnership
- MRF 2016 Resource Limited Partnership (commenced February 25, 2016)
- Discovery 2014 Flow-Through Limited Partnership

INTERNATIONAL FUNDS

• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT
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Directors

Dean Orrico
President and
Chief Executive Officer
Middlefield Capital Corporation

Jeremy T. Brasseur
President and
Chief Executive Officer
Middlefield Group Limited

Robert F. Lauzon, CFA
President and
Chief Executive Officer
Middlefield Limited

Dennis da Silva
Managing Director
Resource Group
Middlefield Capital Corporation

Polly Tse, CPA, CGA, CPA (IL)
Chief Financial Officer
Middlefield Capital Corporation

Michael Bury, CFA
Executive Director
Investments and Portfolio Manager
Middlefield Capital Corporation

Mike Foley, CFA
Executive Director
Investments
Middlefield Capital Corporation

Craig Rogers, CPA, CGA, CFA
Executive Director
Corporate Development
Middlefield Capital Corporation

Matt Watson, CFA
Executive Director
Investments and Portfolio Manager
Middlefield Capital Corporation

Andrew Osborne, CFA
Director, Investments
Middlefield Capital Corporation

Edmun Tsang, CFA
Director
Corporate Development
and Portfolio Manager
Middlefield Capital Corporation

J. Dennis Dunlop
Senior Vice-President
Middlefield Group

Shiranee Gomez
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Deloitte LLP, Chartered
Professional Accountants,
Licensed Public Accountants

Legal Counsel

Bennett Jones
Fasken Martineau DuMoulin LLP
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Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
The Toronto-Dominion Bank

Custodian

RBC Investor Treasury Services

Affiliates

MFL Management Limited
MF Properties Limited
Middlefield Group Limited
Middlefield International Limited
Middlefield Limited
Middlefield Realty Services Limited
Middlefield Capital Corporation
Middlefield Resource Corporation

Independent Review Committee

George S. Dembroski
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H. Roger Garland, CPA, CA
Former Vice-Chairman
Four Seasons Hotels Inc.

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

Charles B. Young
Former Deputy Chairman
Canary Wharf

Advisors

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