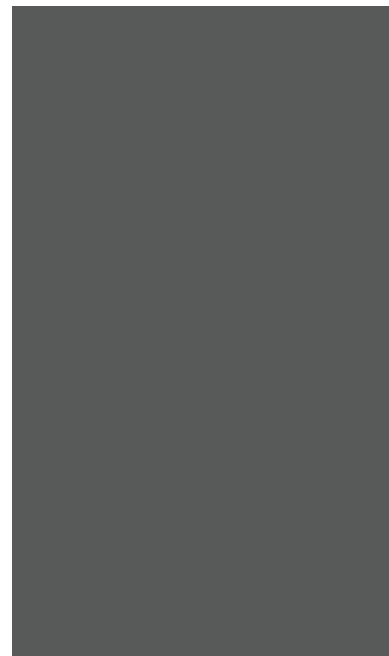




2019 ANNUAL REPORT

MBN CORPORATION

	%Chg	
0.01	+25.00%	2.10
0.12	+18.75%	
0.12	+15.58%	
0.70	+8.33%	
1.00	+11.11%	
1.10	+10.28%	
2.30	+10.22%	
0.32	+8.89%	
0.22	+8.66%	
1.00	+8.47%	
		0.05
	+0.01(+25.00%)	
Offer		4.70



MMIDDLEFIELD
TSX-LISTED FUNDS



MIDDLEFIELD CORPORATE PROFILE

The Middlefield Group was established in 1979 and has approximately \$4 billion in assets under management. Middlefield is a Specialty Investment Manager which creates investment products designed to balance risk and return to meet the demanding requirements of Financial Advisors and their clients. These financial products include Exchange-Traded Funds, Mutual Funds, Private and Public Resource Funds, Venture Capital Assets, TSX Publicly Traded Funds and Real Estate Investment Funds and 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. 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 SSR, LLC, based in Stamford, Connecticut. They provide specialized research into sectors of the economy such as Healthcare and Innovation Technology. SSR is an independent investment firm whose analysts have been highly ranked and are recognized as leaders in their respective fields. Their fundamental company level research is often non-consensus and provides guidance on overall portfolio construction and security selection.

Looking ahead, Middlefield remains committed to managing and developing new and unique investment products to assist Financial Advisors in helping clients achieve their investment objectives.

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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.



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

During 2019, expanding price/earnings multiples were the main contributor to positive equity returns as earnings remained relatively flat. The S&P 500 and S&P/TSX Composite generated returns of 31.5% and 22.8% respectively during the twelve months, regaining the momentum lost during late 2018. Key equity drivers were accommodative monetary policy, recovering earnings growth and improving trade relations.

As previously announced, MBN is focused on new strategic opportunities having the potential to generate attractive risk-adjusted returns. To this end, we pursued various potential acquisitions and considered various different investment strategies that create long-term value by leveraging Middlefield’s expertise. In anticipation of making an acquisition in 2019, we prioritized capital preservation by investing in a diversified portfolio of high quality, liquid, dividend paying securities supplemented by a significant cash position. In light of high valuations in the public and private markets, however, we were unable to make an acquisition at a price we deemed prudent during the year and our low equity weighting meant we did not participate in the market “melt up.”

Looking forward, we have just entered the eleventh year of the current economic expansion, representing one of the longest in recorded history. Although interest rates are expected to remain low, we believe equities are more susceptible to market “panic attacks” (aka corrections) and therefore a defensive portfolio bias is prudent. As in 2019, we remain concerned that a sharp correction could erode the capital we have allocated to the aforementioned strategy. In fact, three major risks confronting markets in 2020 are the Coronavirus outbreak, continuing unrest in the Middle East and the upcoming U.S. elections in November.

The Coronavirus outbreak surfaced at the start of January 2020 and the full negative impact on economies and corporate earnings may not be realized until later in the year. Moreover (and notwithstanding that the conflict between the U.S. and Iran has taken a backseat to other geopolitical news in recent months), we continue to carefully monitor tensions in the Middle East. Finally, we note that the Trump Administration’s pro-business policies that have supported the U.S. economy late in this business cycle are being challenged by a range of socialist-leaning candidates vying to lead the Democratic Party. Although the market is currently discounting a general election win by a left-leaning candidate as unlikely, this is a non-trivial risk worth monitoring. In the event that investors were to conclude that Trump’s market-friendly tax deductions and deregulation measures were at serious risk of being unwound, the negative impact on market sentiment would be significant.

Given these and other risks, we believe that attractive investment opportunities may become available in 2020 as a result of motivated sellers responding to strongly negative shifts in market sentiment. As a result, we will continue to emphasize capital preservation this year in order to take advantage of these opportunities.



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



Robert F. Lauzon
Managing Director and Deputy Chief Investment Officer
Middlefield Capital Corporation

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.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE YEAR ENDED DECEMBER 31, 2019

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 annual financial statements, 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 MBN's exposure to volatility in the market value of its underlying securities. Equity markets continue to exhibit volatility due to macroeconomic uncertainties, ongoing global trade disputes, as well as the uncertain impact from the Coronavirus outbreak. MBN seeks to mitigate risk through active management and diversification.

Results of Operations

Investment Performance

During 2019, the total equity of MBN decreased from \$39.9 million at December 31, 2018 to \$36.1 million at December 31, 2019. On a per equity share basis, total equity decreased from \$8.39 at December 31, 2018 to \$8.08 at December 31, 2019. MBN recorded a net loss on its investment portfolio of approximately \$0.6 million or \$0.12 per share in 2019.

Revenue and Expenses

Revenue before expenses for the year ended December 31, 2019 amounted to approximately \$0.3 million, down from a gain of approximately \$3.7 million in 2018, due to the net loss on the investment portfolio. Expenses for 2019 totaled approximately \$0.7 million, down from \$0.8 million in prior year. The management expense ratio ("MER") decreased from 1.94% in 2018 to 1.76% in 2019. During 2019, profit after tax decreased to a loss of \$0.4 million from a profit of \$2.9 million in the prior year.

On a per equity share basis, the loss during 2019 was \$0.09 comparing to a profit of \$0.69 in 2018.

Trends

Persistently low interest rates have been an important factor behind the recent increase in price/earnings multiples. After raising the short-term borrowing rate on four occasions in 2018, the U.S. Fed adopted a more dovish stance by cutting rates three times in 2019. With respect to trade, once a phase one deal was announced in Q4 2019, markets responded positively. In addition, markets applauded the signing of the United States Mexico Canada Agreement ("USMCA"), a landmark deal signed by the North American trading partners.

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. Middlefield Capital Corporation ("MCC" or the "Advisor"), the Advisor to MBN and a company under common control with the Manager, 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 16, 2019, 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 354,128 equity shares, being 10% of the public float of the equity shares during the 12 month period from September 23, 2019 to September 22, 2020. Shareholders may obtain a copy of the Notice, without charge, by contacting MBN.

Financial Highlights

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.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE YEAR ENDED DECEMBER 31, 2019

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⁾

	2019	2018	2017	2016	2015
Total Equity, Beginning of Year	\$ 8.39	\$ 7.69	\$ 8.48	\$ 7.93	\$ 7.03
INCREASE (DECREASE) FROM OPERATIONS:					
Total Revenue	0.19	0.25	0.10	0.09	0.16
Total Expenses (excluding distributions)	(0.15)	(0.16)	(0.14)	(0.15)	(0.12)
Realized (Losses) Gains for the Year	(0.29)	0.88	(0.60)	0.49	0.55
Unrealized Gains (Losses) for the Year	0.17	(0.24)	(0.19)	0.02	0.26
Transaction Costs on Purchase and Sale of Investments	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)
TOTAL INCREASE (DECREASE) FROM OPERATIONS⁽²⁾	0.01	0.86	(0.79)	0.55	0.90
DISTRIBUTIONS:					
From Net Investment Income	0.04	0.08	-	-	-
From Capital Gains	-	0.08	-	-	-
Return of Capital	0.28	-	-	-	-
TOTAL DISTRIBUTIONS⁽³⁾	0.32	0.16	-	-	-
Total Equity, End of Year	\$ 8.08	\$ 8.39	\$ 7.69	\$ 8.48	\$ 7.93

⁽¹⁾ This information is derived from MBN's audited annual financial statements

⁽²⁾ Total Equity is 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 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⁾ Distributions were paid in cash.

Ratios and Supplemental Data

	2019	2018	2017	2016	2015
Total Assets (000s) ⁽¹⁾	\$ 36,618	\$ 40,853	\$ 30,122	\$ 33,990	\$ 33,062
Total Net Asset Value (000s) ⁽¹⁾	\$ 36,073	\$ 39,863	\$ 30,031	\$ 33,900	\$ 32,970
Number of Equity Shares Outstanding ⁽¹⁾	4,464,598	4,750,898	3,904,651	3,997,851	4,155,551
Management Expense Ratio ("MER") ⁽²⁾	1.76%	1.94%	1.70%	1.77%	1.65%
MER (excluding interest expense and issuance costs) ⁽²⁾	1.76%	1.94%	1.70%	1.77%	1.65%
Trading Expense Ratio ⁽³⁾	0.13%	0.52%	0.10%	0.10%	0.14%
Portfolio Turnover Rate ⁽⁴⁾	780.92%	855.53%	693.12%	870.87%	1,265.21%
Net Asset Value per Equity Share	\$ 8.08	\$ 8.39	\$ 7.69	\$ 8.48	\$ 7.93

⁽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.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE YEAR ENDED DECEMBER 31, 2019

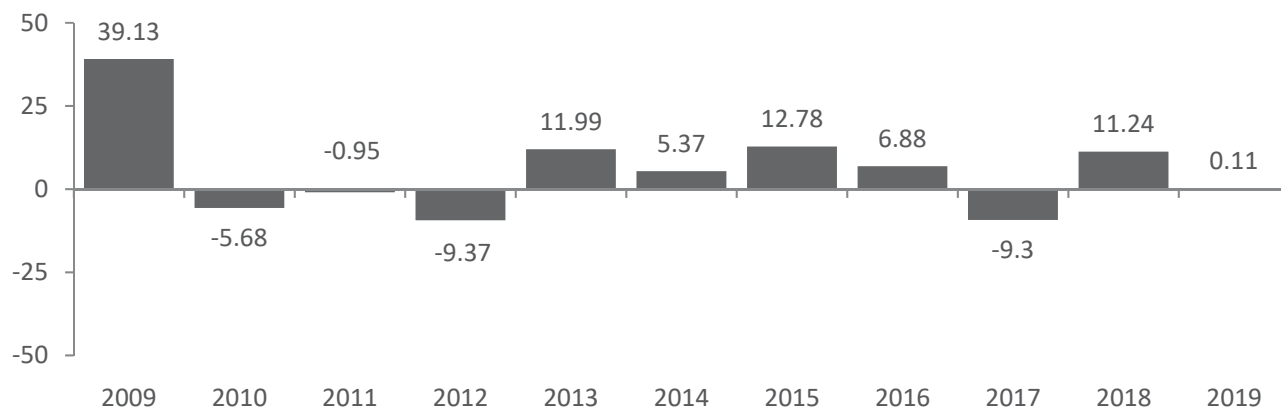
Past Performance

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 Total Returns %



Annual Compound Returns

Periods Ended December 31, 2019

	One Year	Three Years	Five Years	Ten Years
MBN Corporation	0.11%	0.34%	4.01%	1.98%
S&P/TSX Composite Total Return Index	22.88%	6.89%	6.28%	6.90%

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 0.11% underperformed the 22.88% total return generated by the Index. MBN's performance in 2019 was influenced by the relatively strong Canadian dollar and the conservative positioning of the investment portfolio during the year.

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

FOR THE YEAR ENDED DECEMBER 31, 2019

Summary of Investment Portfolio

AS AT DECEMBER 31, 2019

Top Twenty-Five Holdings*

DESCRIPTION	% OF NET ASSET VALUE
1 Westshore Terminals Investment Corp.	3.9%
2 Xilinx Inc.	3.5%
3 Exact Sciences Corp.	3.3%
4 Bank of Nova Scotia	3.1%
5 Toronto-Dominion Bank	3.0%
6 Canadian Imperial Bank of Commerce	3.0%
7 Suncor Energy Inc.	2.9%
8 H&R Real Estate Investment Trust	2.9%
9 Enbridge Inc.	2.9%
10 Keyera Corp.	2.8%
11 Uber Technologies Inc.	2.7%
12 TransAlta Corp.	2.6%
13 WPT Industrial Real Estate Investment Trust	2.5%
14 Becton Dickinson and Co.	2.0%
15 Cineplex Inc.	1.9%
16 Stryker Corp.	1.5%
17 Eli Lilly & Co.	1.4%
18 Bristol-Myers Squibb Company	1.4%
19 CRISPR Therapeutics AG	1.3%

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

*MBN has only 19 holdings.

ASSET CLASS	% OF NET ASSET VALUE
Healthcare	10.9%
Financials	9.1%
Industrials	6.6%
Pipelines	5.7%
Real Estate	5.4%
Technology	3.5%
Energy	2.9%
Utilities	2.6%
Consumer Discretionary	1.9%
Cash	50.9%
Other Net Assets	0.5%
	100.0

TOTAL NET ASSET VALUE \$ 36,072,926

TOTAL ASSETS \$ 36,617,779

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MBN CORPORATION (THE "FUND")

OPINION

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements"). In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard. The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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.



Francisco Z. Ramirez
President
Middlefield Limited



Catherine E. Rebulde
Chief Financial Officer
Middlefield Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. The engagement partner on the audit resulting in this independent auditor's report is Erez Seiler.



Chartered Professional Accountants
Licensed Public Accountants
March 24, 2020
Toronto, Ontario

FINANCIAL STATEMENTS

Statements of Financial Position

AS AT DECEMBER 31
(In Canadian Dollars)

	2019	2018
ASSETS		
Current Assets		
Investments at Fair Value through Profit or Loss	\$ 17,531,478	\$ 12,400,207
Cash	18,361,466	28,389,635
Accounts Receivable from Broker	673,152	-
Accounts Receivable	51,683	63,147
Total Assets	36,617,779	40,852,989
LIABILITIES		
Current Liabilities		
Distributions Payable	360,980	385,392
Accounts Payable and Accrued Liabilities	183,873	182,924
Accounts Payable – Portfolio Securities	-	421,773
Total Liabilities	544,853	990,089
Net Assets	\$ 36,072,926	\$ 39,862,900
EQUITY		
Shareholders' Equity (Note 9)	\$ 24,606,000	\$ 27,469,000
Retained Earnings	11,466,926	12,393,900
Total Equity	\$ 36,072,926	\$ 39,862,900
Equity Shares Issued and Outstanding	4,464,598	4,750,898
Total Equity per Share	\$ 8.08	\$ 8.39

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

Approved by the Board of Directors:



Director: Vince Greco



Director: Catherine Rebuldela

FINANCIAL STATEMENTS

Statements of Comprehensive Income (Loss)

FOR THE YEARS ENDED DECEMBER 31
(In Canadian Dollars)

	2019	2018
REVENUE (LOSS)		
Income from Investments	\$ 260,832	\$ 755,438
Interest Income	609,853	294,832
Securities Lending Income (Note 11)	620	1,475
Foreign Exchange (Loss) Gain	(429,129)	1,163,091
Other Changes in Fair Value of Financial Assets and Financial Liabilities at Fair Value through Profit or Loss		
Net Realized (Loss) Gain from Investment Transactions	(935,907)	2,537,255
Change in Net Unrealized Gain (Loss) on Investments	950,752	(1,079,670)
Change in Net Unrealized (Loss) Gain on Foreign Currency Transactions	(138,496)	63,213
Total Revenue	318,525	3,735,634
OPERATING EXPENSES (Note 8)		
Audit Fees	23,100	21,351
Custodial Fees	991	2,724
Fund Administration Costs	121,573	101,826
Legal Fees	38,359	116,372
Management Fee	463,859	378,167
Securityholder Reporting Costs	31,820	27,902
Transaction Costs (Note 10)	51,465	173,159
Total Operating Expenses	731,167	821,501
(Loss) Profit before Tax	(412,642)	2,914,133
Withholding Taxes	(6,247)	20,482
(Loss) Profit after Tax	\$ (406,395)	\$ 2,893,651
(Loss) Profit after Tax per Equity Share (Note 9)	\$ (0.09)	\$ 0.69

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, 2018	\$ 34,214,663	\$ (4,183,264)	\$ 30,031,399
Reduction in Stated Capital	(12,814,411)	12,814,411	-
Profit after Tax	-	2,893,651	2,893,651
Distributions to Equity Shareholders	-	(781,576)	(781,576)
Repurchase of Equity Shares	(4,889,000)	1,650,678	(3,238,322)
Proceeds from Issue of Equity Shares	10,957,748	-	10,957,748
Balance at December 31, 2018	\$ 27,469,000	\$ 12,393,900	\$ 39,862,900
Balance at January 1, 2019	\$ 27,469,000	\$ 12,393,900	\$ 39,862,900
Loss after Tax	-	(406,395)	(406,395)
Distributions to Shareholders	-	(1,478,583)	(1,478,583)
Repurchase of Equity Shares	(2,863,000)	958,004	(1,904,996)
Balance at December 31, 2019	\$ 24,606,000	\$ 11,466,926	\$ 36,072,926

Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31
(In Canadian Dollars)

	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
(Loss) Profit after Tax	\$ (406,395)	\$ 2,893,651
Adjustments:		
Purchases of Investments	(635,895,413)	(1,170,103,160)
Proceeds from Sale of Investments	630,358,511	1,175,231,415
Foreign Exchange Loss (Gain)	567,625	(1,226,304)
Net Realized Loss (Gain) from Investment Transactions	935,907	(2,537,255)
Change in Net Unrealized (Gain) Loss on Investments	(950,752)	1,079,670
	(5,390,517)	5,338,017
Net Change in Non-Cash Working Capital	(659,436)	57,027
Net Cash (used in) from Operating Activities	(6,049,953)	5,395,044
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from Issue of Equity Shares	-	10,957,748
Repurchase of Equity Shares	(1,904,996)	(3,238,322)
Distributions Paid to Shareholders	(1,505,595)	(400,320)
Net Cash (used in) from Financing Activities	(3,410,591)	7,319,106
Net (Decrease) Increase in Cash	(9,460,544)	12,714,150
Foreign Exchange (Loss) Gain	(567,625)	1,226,304
Cash at Beginning of Year	28,389,635	14,449,181
Cash at End of Year	\$ 18,361,466	\$ 28,389,635

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

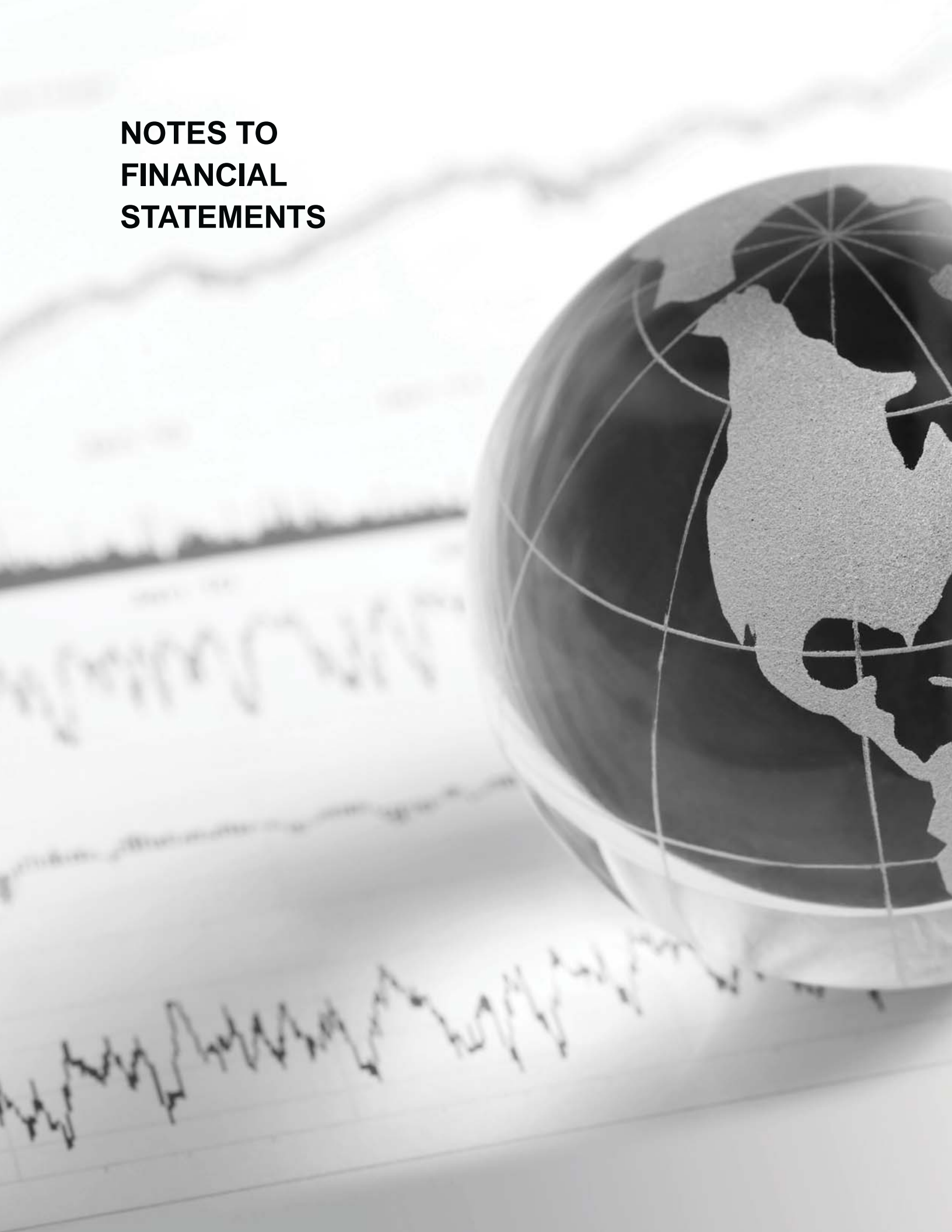
FINANCIAL STATEMENTS

Schedule of Investment Portfolio

AS AT DECEMBER 31, 2019
(In Canadian Dollars)

Description	No. of Securities	Average Cost	Fair Value
Becton Dickinson and Co.	2,000	\$ 715,682	\$ 705,353
Bristol-Myers Squibb Company	6,000	501,232	499,429
CRISPR Therapeutics AG	6,000	531,523	473,871
Eli Lilly & Co.	3,000	522,373	511,295
Exact Sciences Corp.	10,000	1,209,375	1,199,232
Stryker Corp.	2,000	554,348	544,478
HEALTHCARE: 11.0%		4,034,533	3,933,658
Bank of Nova Scotia	15,000	1,127,926	1,100,250
Canadian Imperial Bank of Commerce	10,000	1,101,800	1,080,600
Toronto-Dominion Bank	15,000	1,101,088	1,092,450
FINANCIALS: 9.1%		3,330,814	3,273,300
Uber Technologies Inc.	25,000	1,007,165	964,132
Westshore Terminals Investment Corp.	75,000	1,506,145	1,421,250
INDUSTRIALS: 6.6%		2,513,310	2,385,382
Enbridge Inc.	20,000	1,009,960	1,032,600
Keyera Corp.	30,000	997,846	1,020,600
PIPELINES: 5.7%		2,007,806	2,053,200
H&R Real Estate Investment Trust	50,000	1,042,330	1,055,000
WPT Industrial Real Estate Investment Trust	50,000	913,209	894,108
REAL ESTATE: 5.4%		1,955,539	1,949,108
Xilinx Inc.	10,000	1,297,401	1,267,830
TECHNOLOGY: 3.5%		1,297,401	1,267,830
Suncor Energy Inc.	25,000	1,058,130	1,064,000
ENERGY: 3.0%		1,058,130	1,064,000
TransAlta Corp.	100,000	928,240	928,000
UTILITIES: 2.6%		928,240	928,000
Cineplex Inc.	20,000	680,100	677,000
CONSUMER DISCRETIONARY: 1.9%		680,100	677,000
TRANSACTION COSTS (Note 10)		(5,562)	-
TOTAL INVESTMENTS: 48.8%		17,800,311	17,531,478
CASH: 51.2%		18,361,466	18,361,466
Total Investment Portfolio, Including Cash		\$ 36,161,777	\$ 35,892,944

**NOTES TO
FINANCIAL
STATEMENTS**



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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. On August 29, 2018, MBN merged with Globalance Dividend Growers Corp. ("Globalance"), with MBN as the continuing entity. 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 24, 2020.

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. Basis of Accounting

IFRS 9 *Financial Instruments* ("IFRS 9")

MBN classifies and measures financial instruments in accordance with IFRS 9 which requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. MBN's financial assets and the liabilities are classified at fair value through profit or loss ("FVTPL") and amortized cost.

Classification, Measurement, Impairment and Hedge Accounting

MBN classifies its investments in debt and equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed and their performance is evaluated on a fair value basis. MBN also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income ("FVOCI") has not been taken. Consequently, these financial assets are mandatorily measured at FVTPL.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that MBN manages together and has a recent actual pattern of short term profit taking. All derivatives and short positions are included in this category and mandatorily measured at FVTPL. The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 uses the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. MBN's financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime of ECLs. Given the short-term nature and high credit quality of the trade receivables, there are no expected credit losses associated with them and they are not considered impaired at the reporting dates.

MBN does not apply general hedge accounting to any of its derivatives positions.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. Summary of Significant Accounting Policies (continued)

B. 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, accounts payable and accrued liabilities and distributions payable. 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.

C. 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.

D. Shareholders' 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 shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to MBN's equity holders.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. Summary of Significant Accounting Policies (continued)

E. Derivative Transactions

MBN may use derivatives, such as futures contracts, to hedge against losses caused by changes in exchange rates, 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.

F. 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. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. 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 shown on the Statements of Comprehensive Income represents the interest from bank deposits received by MBN and, if MBN holds fixed income investments, coupon interest accounted for on an accrual basis. MBN does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. 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.

G. Profit or Loss after Tax per Equity share

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.

H. 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.

I. 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.

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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

4. Summary of Significant Accounting Policies (continued)

J. Critical Accounting Estimates and Judgments (continued)

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.

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.

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.

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 tables below summarize the fair value of MBN's financial instruments as at December 31, 2019 and 2018, 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, 2019

Description	Level 1	Level 2	Level 3	Total
Equities	\$ 17,531,478	\$ -	\$ -	\$ 17,531,478

As at December 31, 2018

Description	Level 1	Level 2	Level 3	Total
Equities	\$ 12,400,207	\$ -	\$ -	\$ 12,400,207

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

5. Fair Value Disclosure (continued)

All fair value measurements are recurring. The carrying values of cash, income and interest receivable, accounts receivable and accounts payable and accrued liabilities, approximate their fair values due to their short-term nature. Fair values of MBN's investments are classified as Level 1 when the related security 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.

A. Equities and Warrants

MBN's investments in equities and warrants are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain investments in equities and warrants do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

B. Debt Securities

Debt securities include primarily government or corporate bonds and are classified as Level 1 when the securities are actively traded. Debt securities which are valued using models with inputs including interest rate curves, credit spreads and volatilities are generally observable and therefore these debt securities have been classified as Level 2.

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, 2019 and 2018.

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:

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

6. Financial Risk Management (continued)

A. Price Risk (continued)

	2019	2018
Investments at FVTPL	\$ 17,531,478	\$ 12,400,207

Based on the above exposure at December 31, 2019, a 10% increase or decrease in the prices of MBN's investments would result in a \$1,753,148 (December 31, 2018 – \$1,240,021) increase or decrease in total equity of MBN, with all other factors held constant.

B. Interest Rate Risk

Interest rate risk describes MBN's exposure to changes in the general level of interest rates. Interest rate risk arises when MBN invests in interest-bearing financial assets such as cash and debt securities and utilizes financial liabilities such as loan payable. In respect of cash balances and 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 is also exposed to the risk that the value of financial assets such as corporate and government debt will fluctuate due to changes in the prevailing levels of market interest rates. The value of such financial assets is negatively correlated to interest rates. 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.

The tables below summarize MBN's exposure to interest rate risk by remaining term to maturity:

As at December 31, 2019	Less than 1 Year	1 to 5 Years	Greater than 5 Years	Total
Cash	\$ 18,361,466	\$ -	\$ -	\$ 18,361,466

As at December 31, 2018	Less than 1 Year	1 to 5 Years	Greater than 5 Years	Total
Cash	\$ 28,389,635	\$ -	\$ -	\$ 28,389,635

Based on the above exposure at December 31, 2019, a 1% per annum increase or decrease in interest rates would result in a \$183,615 (December 31, 2018 – \$283,896) increase or decrease in total equity of MBN, 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:

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

6. Financial Risk Management (continued)
 C. Foreign Exchange Rate Risk (continued)

	2019		2018
Investments at FVTPL	\$ 7,059,728	\$	5,622,157
Cash	1,847,098		4,036,766
Accounts Receivable from Broker	673,152		-
Dividend Receivable	1,268		4,323
Total Exposure	\$ 9,581,246	\$	9,663,246

Based on the above exposure at December 31, 2019, a 10% increase or decrease in the Canadian dollar against the U.S. dollar would result in a \$958,125 (December 31, 2018 – \$966,325) 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 or 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, 2019 and 2018, MBN did not hold any illiquid securities.

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, 2019

Financial Liabilities	Less than 1 Month		1 to 3 Months		3 Months to 1 Year		Total
Distributions Payable	\$ 360,980	\$	-	\$	-	\$	360,980
Accounts Payable and Accrued Liabilities	138,995		28,000		16,878		183,873
Total	\$ 499,975	\$	28,000	\$	16,878	\$	544,853

As at December 31, 2018

Financial Liabilities	Less than 1 Month		1 to 3 Months		3 Months to 1 Year		Total
Distributions Payable	\$ 385,392	\$	-	\$	-	\$	385,392
Accounts Payable - Portfolio Securities	421,773		-		-		421,773
Accounts Payable and Accrued Liabilities	150,359		17,000		15,565		182,924
Total	\$ 957,524	\$	17,000	\$	15,565	\$	990,089

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. MBN is exposed to credit risk on its debt instruments, derivative assets, cash and cash equivalents and other short term trade receivables. MBN measures credit risk and lifetime ECLs related to the trade receivables using historical analysis and forward looking information in determining the ECL. 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

6. Financial Risk Management (continued)

E. Credit Risk (continued)

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.

As at December 31, 2019 and 2018, MBN did not invest in any debt instruments.

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, 2019 and 2018, the percentages of MBN's total equity invested in each investment sector were as follows:

Sector	As a % of Total Equity	
	2019	2018
Healthcare	10.9	7.5
Financials	9.1	10.5
Industrials	6.6	-
Pipelines	5.7	3.9
Real Estate	5.4	3.9
Technology	3.5	-
Energy	2.9	3.1
Utilities	2.6	1.0
Consumer Discretionary	1.9	-
Communication Services	-	1.2
Total	48.6	31.1

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 but 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.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

9. Shareholders' Equity (continued)

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 the year ended December 31, 2019, MBN purchased 286,300 equity shares (2018 – 488,900) pursuant to a normal course issuer bid.

The average number of equity shares outstanding during 2019 was 4,651,114 (2018 – 4,204,405). This number was used to calculate the Profit (Loss) after Tax per Equity Share.

10. Transaction Costs

Brokerage commissions and other transaction costs paid in connection with securities transactions for the year ended December 31, 2019 amounted to \$51,465 (2018 – \$173,159). Included in this amount is \$16,928 (2018 – \$29,055) in brokerage commissions that were paid to MCC. All brokerage 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, RBC Investor Services Trust, in order to earn additional revenue. The aggregate market value of all securities loaned by MBN will not exceed 50% of the fair value of the assets of MBN. MBN will receive collateral of at least 105% of the fair value of the securities on loan. Collateral held is generally comprised of cash and securities of, or guaranteed by, the Government of Canada or a province thereof, or the United States government or its agencies. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which MBN's custodian, RBC Investor Services Trust, is entitled to receive.

For the years ended December 31, 2019 and 2018, securities lending income was as follows:

	2019	2018
Gross Securities Lending Income	\$ 1,016	\$ 2,488
Securities Lending Charges	(356)	(871)
Net Securities Lending Income	660	1,617
Withholding Taxes on Securities Lending Income	(40)	(142)
Net Securities Lending Income received by MBN	\$ 620	\$ 1,475

Securities lending charges represented 35% (2018 – 35%) of the gross securities lending income, all of which was paid to MBN's custodian.

The following table summarizes the securities loaned and collateral held as at December 31, 2019 and 2018.

	2019	2018
	(\$000's)	(\$000's)
Securities Loaned	\$ 1,068	\$ 1,601
Collateral Received	1,121	1,681
Collateral Percentage of Securities Loaned	105%	105%

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

12. Income Taxes and Loss Carryforwards

No reconciliation of the income tax was computed for December 31, 2019. A reconciliation of the income taxes computed at the Canadian statutory tax rate of 27% for December 31, 2018 to the effective tax rate is as follows:

	2019		2018	
(Loss) Income before Income Taxes	\$	(402,395)	\$	2,893,651
Computed Expected Tax Expense	-	-	781,286	27.00%
Difference related to:	-	-		
Non-deductible Portion of Investment Losses	-	-	349,420	12.08%
Dividends not Taxable for Income Tax Purposes	-	-	(74,178)	(2.56%)
Amortization of Issuance Costs from Globalance	-	-	(72,462)	(2.51%)
Utilization of Previously Unrecognized Loss Carryforwards	-	-	(984,066)	(34.01%)
Total Income Tax Expense	\$	-	\$	-

At December 31, 2019, MBN had capital losses of \$14,745,512 (2018 – \$13,459,970) and non-capital losses of \$12,984,768 (2018 – \$11,954,851) 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, 2028	\$ 910,014
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
December 31, 2036	418,485
December 31, 2037	343,805
December 31, 2039	1,029,917
	\$ 12,984,768

13. Distributions

MBN pays quarterly distributions to shareholders starting from September 2018. For the year ended December 31, 2019, distributions amounted to \$0.32 per equity share (December 31, 2018 - \$0.16).

DIVIDENDS (PER SHARE)

2018

30-Sep	\$ 0.08	31-Dec	\$ 0.08
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2019

31-Mar	\$ 0.08	30-Jun	\$ 0.08	30-Sep	\$ 0.08	31-Dec	\$ 0.08
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2019 TAX INFORMATION (PER SHARE)

MBN Corporation will be issuing T5 slips to registered shareholders by February 28, 2020. The following table outlines the allocation of the 2019 dividend for each share.

Record Date	Payable Date	Distribution Per Unit	Allocation Eligible Dividend
December 31, 2018	January 15, 2019	\$ 0.080000	\$ 0.080000
March 31, 2019	April 15, 2019	0.080000	0.080000
June 30, 2019	July 15, 2019	0.080000	0.080000
September 30, 2019	October 15, 2019	0.080000	0.080000
	TOTAL	\$ 0.320000	\$ 0.320000
		100.00%	100.00%

Holders of Shares outside of an RRSP, RRIF or DPSP should have received a T5 slip from their investment dealer. T5 tax slips report Eligible Dividends in Box 24. Eligible Dividends are subject to the gross-up and federal dividend tax credit rules.

EXCHANGE - TRADED FUNDS (ETFs)	TSX Stock Symbol
• Middlefield American Core Dividend ETF	ACZ
• Middlefield Healthcare & Life Sciences ETF	LS
• Middlefield Health & Wellness ETF	HWF
• Middlefield REIT INDEXPLUS ETF	IDR
TSX-LISTED FUNDS	
• Digital Consumer Dividend Fund	MDC.UN
• European Focused Dividend Fund	EF.UN
• E Split Corp.	ENS ENS.PR.A
• Global Dividend Growers Income Fund	GDG.UN
• Global Innovation Dividend Fund	BL.UN
• Global Real Estate & E-Commerce Dividend Fund	GEC.UN
• MBN Corporation	MBN
• Middlefield Can-Global REIT Income Fund	RCO.UN
• Middlefield Global Real Asset Fund (commenced November 26, 2019)	RA.UN
• MINT Income Fund	MID.UN
• Pathfinder Income Fund	PCD.UN
• Sustainable Infrastructure Dividend Fund (commenced March 25, 2020)	INF.UN
MIDDLEFIELD MUTUAL FUNDS TRUST FUNDS	
	Fund Code
Series A Units	FE/LL/DSC
• ACTIVEnergy Income Fund	MID 235/237/240
• Global Healthcare Dividend Fund	MID 325/327/330
• INDEXPLUS Income Fund	MID 435/437/440
• Middlefield Global Infrastructure Fund	MID 510/519/520
Series F Units	
• ACTIVEnergy Income Fund	MID 236
• Global Healthcare Dividend Fund	MID 326
• INDEXPLUS Income Fund	MID 436
• 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 Global Real Estate Class	MID 600/649/650
• Middlefield High Yield Class	MID 300/349/350
• Middlefield Income Plus Class	MID 800/849/850
• 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 Global Real Estate Class	MID 601
• Middlefield High Yield Class	MID 301
• Middlefield Income Plus Class	MID 801
• Middlefield U.S. Dividend Growers Class	MID 701
RESOURCE FUNDS	
• Discovery 2019 Short Duration LP (commenced November 21, 2019)	
• MRF 2019 Resource Limited Partnership	
• MRF 2020 Resource Limited Partnership (commenced February 26, 2020)	
INTERNATIONAL FUNDS	
• Middlefield Canadian Income PCC	London UK Stock Exchange (LSE) Symbol:MCT

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Chief Executive Officer
Middlefield Capital Corporation

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Middlefield Group Limited

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Managing Director and
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Dennis da Silva
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Former Vice-Chairman
RBC Dominion Securities Limited

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

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

Edward V. Jackson
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RBC Capital Markets

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Canadian Imperial Bank of Commerce
Royal Bank of Canada
The Bank of Nova Scotia
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