

SEMI-ANNUAL REPORT 2011

# Gold Participation and Income Fund



## Gold Participation and Income Fund

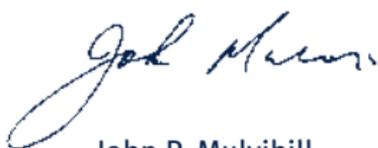
### Letter to Unitholders

We are pleased to present the 2011 semi-annual report containing the management report of fund performance and the unaudited financial statements for Gold Participation and Income Fund.

During the six months ended June 30, 2011, the Fund paid cash distributions of \$0.42 per unit. Though gold prices reached a high of US\$1,578 on May 2, 2011, the price of gold closed on June 30, 2011 at US\$1,500. The Fund's total return, including reinvestment of distributions, for the six month period ended June 30, 2011 was negative 4.4 percent compared to the S&P/TSX Global Gold Index total return of negative 12.8 percent during the same period. The net asset value decreased from \$13.57 per unit at December 31, 2010 to \$12.55 per unit at June 30, 2011 mainly due to a decline in value of gold equities. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

The Fund issued warrants to unitholders of record outstanding at the close of business on April 22, 2011. All unitholders as of the record date received one warrant for each unit held. Each warrant entitles its holder to acquire one unit upon payment of \$13.02 on or before September 15, 2011. The offering is designed to provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, while also increasing the trading liquidity of the Class A shares and Preferred shares and reducing the ongoing management expense ratio of the Fund.

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the semi-annual report.



John P. Mulvihill  
Chairman & President,  
Mulvihill Capital Management Inc.

## Gold Participation and Income Fund

### The Fund

The Fund is a closed-end investment trust designed to provide investors with Canadian dollar exposure to the long-term performance of gold bullion and gold equity securities, while providing monthly distributions. The units are listed on the Toronto Stock Exchange under the ticker symbol GPF.UN. To accomplish its objectives the Fund invests its net assets in the Gold sector with up to 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion and the balance in a portfolio of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world's leading gold companies. To generate additional returns above the dividend income earned on the Fund's investment portfolio, the Fund may, from time to time, write covered call options on up to 25 percent of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

## Gold Participation and Income Fund

### Management Report of Fund Performance

#### Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2011 of Gold Participation and Income Fund (the “Fund”). The June 30, 2011 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.mulvihill.com](http://www.mulvihill.com). You can also get a copy of the annual and semi-annual financial statements at your request and at no cost by using one of these methods.

#### Results of Operations

##### Distributions

For the six months ended June 30, 2011, cash distributions of \$0.42 per unit were paid to unitholders compared to \$0.40 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total cash and unit distributions of \$2.68 per unit, including \$1.12 per unit of special year-end distributions.

##### Revenue and Expenses

For the six months ended June 30, 2011, the Fund’s total revenue was \$0.02 per unit compared to nil last year. Total expenses were \$0.23 per unit in the first six months of 2011, up from \$0.18 per unit in 2010, largely attributable to the non-recurring costs associated with the warrant offering in April 2011. The Fund had a net realized and unrealized loss of \$1.12 per unit in the first half of 2011 as compared to a net realized and unrealized gain of \$1.97 per unit a year earlier.

##### Net Asset Value

The net asset value per unit of the Fund decreased 7.5 percent, from \$13.57 per unit at December 31, 2010 to \$12.55 per unit at June 30, 2011, mainly due to a decline in value of gold equities. The total net asset value of the Fund decreased \$20.9 million from \$43.8 million at December 31, 2010 to \$22.9 million at June

# Gold Participation and Income Fund

## Management Report of Fund Performance

30, 2011, primarily reflecting the annual redemption of \$17.0 million and a net loss from operations of \$2.9 million.

During the six months ended June 30, 2011, the total return of the Fund was negative 4.4 percent reflecting the decrease in value of the securities in the portfolio. The S&P/TSX Global Gold Index total return during the same period was negative 12.8 percent, while the SPDR Gold Trust had a total return of 2.1 percent in Canadian dollar terms during the same period. As a result of the Fund utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The total return for the S&P/TSX Global Gold Index which comprises at least 50 percent of the Fund is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

### Recent Developments

The Fund issued warrants to unitholders of record outstanding at the close of business on April 22, 2011. All unitholders as of the record date received one warrant for each unit held. Each warrant entitles its holder to acquire one unit upon payment of \$13.02 on or before September 15, 2011. The offering is designed to provide the Fund with additional capital that can be used to take advantage of attractive investment opportunities, while also increasing the trading liquidity of the Class A shares and Preferred shares and reducing the ongoing management expense ratio of the Fund.

### Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2013 and will

## Gold Participation and Income Fund

### Management Report of Fund Performance

issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2013.

As at June 30, 2011, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) where investment fund accounting was based upon guidance in AcG-18;
- Implementation of cash flow statements;
- Presentation of comparative information; and,
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager’s current understanding and analysis of IFRS to the current accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund’s net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

### Related Party Transactions

The manager and investment manager of the Fund is MCM (“Manager” or “Investment Manager”). MCM became the Manager of the Fund on September 1, 2010 as successor by amalgamation with Mulvihill Fund Services Inc.

MCM, as the Investment Manager of the Fund, manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated July 27, 2009.

MCM is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated July 27, 2009. As such, MCM is responsible for providing or arranging for required administrative services to the Fund.

MCM is paid the fees described under the Management Fees section of this report.

# Gold Participation and Income Fund

## Management Report of Fund Performance

### **Independent Review Committee**

National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an independent review committee (“IRC”) to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

On March 2, 2011, MCM presented to the IRC a proposal of the Fund to issue warrants to unitholders to subscribe for additional units of the Fund. The exercise of warrants by holders will provide the Fund with additional capital and is also expected to increase trading liquidity and to reduce the management expense ratio of the Fund. The IRC reviewed the proposal and approved the warrant offering as it achieved a fair and reasonable result for the Fund.

# Gold Participation and Income Fund

## Management Report of Fund Performance

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on August 7, 2009.

The information for the periods ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2011 is derived from the Fund's unaudited semi-annual financial statements.

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### NET ASSETS PER UNIT

#### Net Assets, beginning of period (based on bid prices)<sup>(1)</sup>

#### INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gain (loss) for the period

Unrealized gain (loss) for the period

#### Total Increase (Decrease) from Operations<sup>(2)</sup>

#### DISTRIBUTIONS

From net investment income

From capital gains

#### Total Distributions<sup>(3)</sup>

#### Net Assets, end of period (based on bid prices)<sup>(1)</sup>

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(1) Net Assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), net of withholding tax and foreign exchange gain (loss), less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

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### RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)

Number of units outstanding

Management expense ratio<sup>(1)</sup>

Portfolio turnover rate<sup>(2)</sup>

Trading expense ratio<sup>(3)</sup>

Net Asset Value per unit<sup>(5)</sup>

Closing market price

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(1) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes and excluding transaction fees charged to the Fund divided by the average net asset value. The MER for 2011 includes warrant offering costs. The MER for 2011 excluding warrant offering costs is 2.16%. In August of 2009, the Fund realized issuance costs of \$1,903,500 in connection with its issuance of 2,350,000 units and 2,350,000 warrants. The MER for 2009 including these issuance costs is 8.79%.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities.

## Gold Participation and Income Fund

### Management Report of Fund Performance

The net assets per unit presented in the financial statements differs from the net asset value per unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Six months ended June 30, 2011	— Periods ended December 31 —	
	2010	2009 <sup>(4)</sup>
\$ 13.56	\$ 12.14	\$ 11.19 <sup>(5)</sup>
0.02	0.03	0.03
(0.23)	(0.32)	(0.15)
0.14	2.19	0.83
(1.26)	0.95	0.54
(1.33)	2.85	1.25
(0.42)	(0.58)	(0.10)
—	(0.95)	(0.63)
(0.42)	(1.53)	(0.73)
\$ 12.54	\$ 13.56	\$ 12.14

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. For 2010, distributions of \$0.98 were paid in cash and distributions of \$0.55 were paid in units. For 2009, distributions of \$0.31 were paid in cash and distributions of \$0.42 were paid in units. Immediately following the distribution of units, the issued and outstanding capital of the Fund was consolidated such that the number of issued and outstanding units of the Fund did not change due to the distribution.

(4) For the period from inception on August 7, 2009 to December 31, 2009.

(5) Initial issue price, net of agent fees and initial issue costs.

\$ 22.89	\$ 43.78	\$ 28.57
1,823,754	3,226,994	2,350,100
2.58% <sup>(4)</sup>	1.95%	1.98% <sup>(4)</sup>
79.05%	212.02%	78.35%
0.48% <sup>(4)</sup>	0.52%	1.08% <sup>(4)</sup>
\$ 12.55	\$ 13.57	\$ 12.16
\$ 11.95	\$ 14.20	\$ 10.46

The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.

## Gold Participation and Income Fund

### Management Report of Fund Performance

#### Management Fees

Mulvihill Fund Services Inc. (the “Manager” or “Mulvihill”) amalgamated with Mulvihill Capital Management Inc. (the “Investment Manager” or “MCM”) on September 1, 2010. As successor, MCM became the Manager of the Fund. MCM is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 0.70 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and as to the execution of all portfolio and other transactions.

MCM, as the Manager of the Fund, is entitled to fees under the Trust Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

#### Past Performance

The following chart sets out the Fund’s year-by-year past performance. It is important to note that:

- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

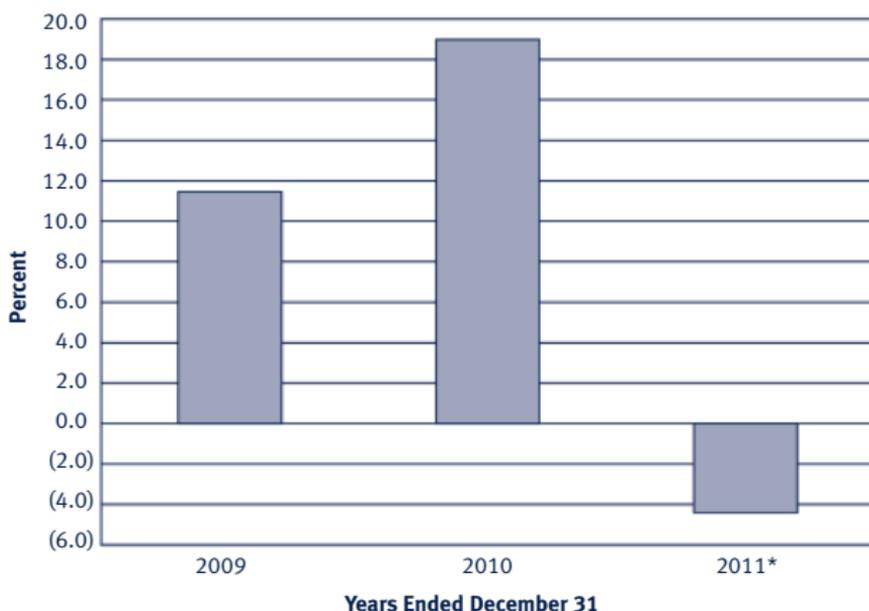
#### Year-By-Year Returns

The following bar chart illustrates how the Fund’s total return varied from year to year since inception and for the six month period ended June 30, 2011. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception in 2009 would have increased or decreased by the end of the fiscal year or June 30, 2011 for the six months then ended.

# Gold Participation and Income Fund

## Management Report of Fund Performance

### Annual Total Return



\*For the six months ended June 30, 2011.

### Portfolio Manager Report

Gold prices reached a high of US\$1,578 on May 2, 2011 and closed at US\$1,500 on June 30, 2011. Gold appreciated strongly primarily due to U.S. dollar weakness which in turn has been driven by the impasse on debt ceiling limit, as well as inflation expectations due to loose monetary policy conducted by the Federal Reserve. Global investors added the metal to their portfolios as inflation was elevated in a lot of emerging countries while inflation expectations crept up higher in the developed markets. A further source of demand in the gold market was central banks of Mexico and Russia adding to their gold reserves in the first six months of 2011, a continuation of the trend of central banks diversifying foreign exchange reserves beginning in late 2009.

Some of the fundamental drivers of gold continue to be the loose monetary policies maintained by various central banks, ballooning deficits in the U.S. and Europe, concerns about one or more of the European countries defaulting on their debt that have led some central banks opting to diversify a portion of their foreign exchange reserves into gold, as well as the demand of gold exchange traded funds as a global platform that facilitates the ability of retail investor to hedge against high inflation.

Gold is expected to continue to be the primary vehicle used by investors to hedge away inflation if fiscal and monetary policy makers do not show considerable restraint over the next few years

## Gold Participation and Income Fund

### Management Report of Fund Performance

following the stimulative policies in the aftermath of the financial crisis.

Gold equities had negative performance during the first half of the year with the S&P/TSX Global Gold Index having a total return of negative 12.8 percent. One of the reasons for this negative performance has been investors' preference for gold exchange traded funds versus gold equities which has resulted in valuations in gold equities contracting to attractive levels. This compelling valuation is reinforced by stronger cash flows due to higher gold prices and this has resulted in continued dividend increases in Goldcorp Inc. and Newmont Mining Corporation while IAMGOLD Corporation, Randgold Resources Limited and AngloGold Ashanti Limited also increased their dividends in 2011. The S&P/TSX Global Gold Index began the year with 56 constituents and ended the second quarter of 2011 with 64 members. Going forward, margin expansion is expected to continue across the universe of gold producers while these companies focus on reserve growth through capital expenditures or acquisitions.

During the six month period, the allocation of the SPDR Gold Trust has fluctuated between 37 percent and 50 percent of the net assets in the Fund with the balance invested in gold equities while holding a small cash balance. Volatility remained at high levels versus the rest of the market and was sufficient to maintain option writing programs. The Fund selectively wrote covered calls on a portion of the portfolio if the Manager perceived the stock had a flat to downward bias over the short term. The Fund ended the period with covered call written on just one stock, namely AngloGold Ashanti Limited.

The return of the Fund, including reinvestment of distributions, for the first half of the year was negative 4.4 percent, compared to the S&P/TSX Global Gold Index which had a total return of negative 12.8 percent and the SPDR Gold Trust which had a total return of 2.1 percent in Canadian dollar terms.

The U.S. dollar exposure in the Fund is fully hedged back to the Canadian dollar.

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available on our website at [www.mulvihill.com](http://www.mulvihill.com).

# Gold Participation and Income Fund

## Management Report of Fund Performance

### Asset Mix

June 30, 2011

	% of Net Asset Value
United States	56 %
Canada	37 %
Cash	5 %
International	3 %
Other Assets (Liabilities)	(1)%
	100 %

### Portfolio Holdings

June 30, 2011

	% of Net Asset Value
SPDR Gold Trust	49 %
Barrick Gold Corporation	6 %
Kinross Gold Corporation	6 %
Goldcorp Inc.	5 %
Newmont Mining Corporation	5 %
Cash	5 %
Osisko Mining Corporation	4 %
Agnico-Eagle Mines Limited	3 %
Royal Gold, Inc.	3 %
Allied Nevada Gold Corp.	3 %
Franco-Nevada Corporation	2 %
AngloGold Ashanti Limited ADR	2 %
Yamana Gold Inc.	1 %
Argonaut Gold Inc.	1 %
Northgate Minerals Corporation	1 %
Kirkland Lake Gold Inc.	1 %
Sulliden Gold Corporation Ltd.	1 %
Harmony Gold Mining Company Limited ADR	1 %
Eldorado Gold Corporation	1 %
Banro Corporation	1 %

### Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

## Gold Participation and Income Fund

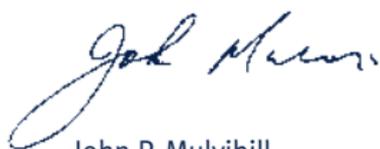
### Management's Responsibility for Financial Reporting

The accompanying financial statements of Gold Participation and Income Fund (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Mulvihill Capital Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2010.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the independent auditor's report. Deloitte & Touche LLP, the Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill

Director

Mulvihill Capital Management Inc.



John D. Germain

Director

Mulvihill Capital Management Inc.

August 5, 2011

### Notice to Unitholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

# Gold Participation and Income Fund

## Financial Statements

### Statements of Net Assets

As at June 30, 2011 (Unaudited) and December 31, 2010 (Audited)

	2011	2010
<b>ASSETS</b>		
Investments at fair value (cost - \$20,956,875; 2010 - \$39,479,622)	<b>\$ 22,044,512</b>	\$ 43,320,344
Cash	<b>1,104,683</b>	1,032,843
Interest receivable	<b>14</b>	-
Dividends receivable	<b>1,934</b>	3,234
Due from brokers - investments	<b>100,800</b>	-
<b>TOTAL ASSETS</b>	<b>23,251,943</b>	<b>44,356,421</b>
<b>LIABILITIES</b>		
Due to brokers - investments	<b>245,777</b>	-
Accrued liabilities	<b>128,432</b>	114,819
Distributions payable	<b>-</b>	484,049
<b>TOTAL LIABILITIES</b>	<b>374,209</b>	<b>598,868</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 22,877,734</b>	<b>\$ 43,757,553</b>
<b>Number of Units Outstanding</b>	<b>1,823,754</b>	<b>3,226,994</b>
<b>Net Assets per Unit - Basic (Note 2)</b>	<b>\$ 12.5443</b>	<b>\$ 13.5598</b>
<b>Net Assets per Unit - Diluted</b>	<b>\$ 12.5443</b>	<b>n/a</b>

# Gold Participation and Income Fund

## Financial Statements

### Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2011	2010
<b>REVENUE</b>		
Dividends	\$ 33,648	\$ 36,093
Interest	3,205	(25,894)
Withholding taxes	(840)	(1,877)
<b>TOTAL REVENUE</b>	<b>36,013</b>	<b>8,322</b>
<b>EXPENSES</b>		
Management fees	105,465	117,170
Service fees	45,302	59,402
Administrative and other expenses	57,441	40,816
Transaction fees (Note 4)	67,020	92,129
Custodian fees	15,246	16,259
Audit fees	13,141	13,545
Advisory board fees	10,445	10,445
Independent review committee fees	3,851	3,173
Legal fees	23,767	39,165
Unitholder reporting costs	8,910	14,187
Federal and provincial sales taxes	19,396	13,721
<b>Subtotal Expenses</b>	<b>369,984</b>	420,012
Warrant offering costs	120,000	-
<b>TOTAL EXPENSES</b>	<b>489,984</b>	<b>420,012</b>
<b>Net Investment Loss</b>	<b>(453,971)</b>	<b>(411,690)</b>
Net gain (loss) on sale of investments	(932,264)	991,080
Net gain on sale of derivatives	1,244,736	322,134
<b>Net Gain on Sale of Investments</b>	<b>312,472</b>	<b>1,313,214</b>
Net change in unrealized appreciation/ depreciation of investments	(2,739,104)	3,322,632
<b>Net Gain (Loss) on Investments</b>	<b>(2,426,632)</b>	<b>4,635,846</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (2,880,603)</b>	<b>\$ 4,224,156</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT - BASIC</b> (based on the weighted average number of units outstanding during the period of 2,172,555; 2010 - 2,350,236)	<b>\$ (1.3259)</b>	<b>\$ 1.7973</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT - DILUTED</b>	<b>\$ (1.3259)</b>	<b>\$ 1.6908</b>

# Gold Participation and Income Fund

## Financial Statements

### Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2011	2010
NET ASSETS, BEGINNING OF PERIOD	\$ 43,757,553	\$ 28,519,220
<b>Net Increase (Decrease) in Net Assets from Operations</b>	<b>(2,880,603)</b>	<b>4,224,156</b>
<b>Unit Transactions</b>		
Value for units redeemed	(16,967,400)	–
Normal course issuer bid purchases	(156,805)	–
Proceeds from units issued, net of warrant exercise fees	–	5,031
	<b>(17,124,205)</b>	<b>5,031</b>
<b>Distributions to Unitholders</b>		
From net investment income	(875,011)	(726,709)
From net realized gain on sale of investments	–	(85,914)
Non-taxable distributions	–	(125,484)
	<b>(875,011)</b>	<b>(938,107)</b>
<b>Changes in Net Assets during the Period</b>	<b>(20,879,819)</b>	<b>3,291,080</b>
NET ASSETS, END OF PERIOD	\$ 22,877,734	\$ 31,810,300

### Statements of Net Gain on Sale of Investments

Six months ended June 30 (Unaudited)

	2011	2010
Proceeds from Sale of Investments	\$ 39,438,547	\$ 25,927,836
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of period	39,479,622	26,149,549
Cost of investments purchased	20,603,328	24,495,620
	<b>60,082,950</b>	<b>50,645,169</b>
<b>Cost of Investments, End of Period</b>	<b>(20,956,875)</b>	<b>(26,030,547)</b>
	<b>39,126,075</b>	<b>24,614,622</b>
NET GAIN ON SALE OF INVESTMENTS	\$ 312,472	\$ 1,313,214

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2011 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Portfolio
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Materials</b>				
Agnico-Eagle Mines Limited	11,000	\$ 676,965	\$ 669,020	
Allied Nevada Gold Corp.	17,700	645,133	601,977	
Argonaut Gold Inc.	69,000	364,757	361,560	
Banro Corporation	50,000	169,600	183,000	
Barrick Gold Corporation	31,000	1,371,749	1,353,770	
Eldorado Gold Corporation	13,000	225,822	184,470	
Franco-Nevada Corporation	12,800	466,975	460,672	
Goldcorp Inc.	26,700	1,289,040	1,242,084	
Kinross Gold Corporation	84,700	1,313,031	1,287,440	
Kirkland Lake Gold Inc.	16,000	229,677	242,240	
Northgate Minerals Corporation	132,000	367,773	330,000	
Osisko Mining Corporation	58,400	822,120	873,080	
Sulliden Gold Corporation Ltd.	139,000	333,365	239,080	
Yamana Gold Inc.	32,500	405,880	364,325	
<b>Total Materials</b>		<b>8,681,887</b>	<b>8,392,718</b>	<b>38.1%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 8,681,887</b>	<b>\$ 8,392,718</b>	<b>38.1%</b>
<b>Non-North American Common Shares</b>				
<b>Materials</b>				
AngloGold Ashanti Limited ADR	11,300	\$ 545,394	\$ 458,801	
Harmony Gold Mining Company Limited ADR	15,000	180,408	191,524	
<b>Total Materials</b>		<b>725,802</b>	<b>650,325</b>	<b>2.9%</b>
<b>Total Non-North American Common Shares</b>		<b>\$ 725,802</b>	<b>\$ 650,325</b>	<b>2.9%</b>
<b>United States Common Shares</b>				
<b>Materials</b>				
Newmont Mining Corporation	22,500	\$ 1,205,215	\$ 1,171,513	
Royal Gold, Inc.	11,000	625,437	621,362	
<b>Total Materials</b>		<b>1,830,652</b>	<b>1,792,875</b>	<b>8.1%</b>
<b>Total United States Common Shares</b>		<b>\$ 1,830,652</b>	<b>\$ 1,792,875</b>	<b>8.1%</b>
<b>Exchange-Traded Funds</b>				
SPDR Gold Trust	79,000	\$ 9,667,243	\$ 11,131,486	50.5%
<b>Total Exchange-Traded Funds</b>		<b>\$ 9,667,243</b>	<b>\$ 11,131,486</b>	<b>50.5%</b>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2011 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Portfolio
<b>Forward Exchange Contracts</b>				
Sold USD \$3,250,000, Bought CAD \$3,163,225 @ 1.02743 - July 13, 2011			\$ 25,575	
Sold USD \$5,900,000, Bought CAD \$5,624,470 @ 1.04899 - July 27, 2011			(73,503)	
Bought USD \$250,000, Sold CAD \$243,500 @ 1.02669 - August 10, 2011			(1,963)	
Sold USD \$2,000,000, Bought CAD \$1,950,400 @ 1.02543 - August 10, 2011			18,099	
Sold USD \$650,000, Bought CAD \$638,235 @ 1.01843 - August 24, 2011			9,988	
Sold USD \$3,600,000, Bought CAD \$3,500,100 @ 1.02854 - August 24, 2011			20,675	
<b>Total Forward Exchange Contracts</b>			<b>\$ (1,129)</b>	<b>0.0%</b>
<b>Options</b>				
<b>Written Covered Call Options</b> (100 shares per contract)				
AngloGold Ashanti Limited ADR - July 2011 @ \$62	(27)	\$ (3,699)	\$ (2,700)	0.0%
<b>Purchased Put Options</b> (100 shares per contract)				
iShares S&P/TSX Global Gold Index Fund - September 2011 @ \$24	615	71,955	80,937	0.4%
<b>Total Options</b>		<b>\$ 68,256</b>	<b>\$ 78,237</b>	<b>0.4%</b>
Adjustment for transaction fees		(16,965)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 20,956,875</b>	<b>\$ 22,044,512</b>	<b>100.0%</b>

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2011

### 1. Basis of Presentation

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The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2010.

These semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2010.

### 2. Net Asset Value

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The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per unit is calculated using the fair value of investments at the closing bid price. The net assets per unit for financial reporting purposes and net asset value per unit for pricing purposes will not be the same due to the use of different valuation techniques.

The difference between the net asset value per unit for pricing purposes and the net assets per unit reflected in the financial statements is as follows:

	June 30, 2011	Dec. 31, 2010
Net Asset Value (for pricing purposes)	<b>\$ 12.5533</b>	\$ 13.5682
Difference	<b>(0.0090)</b>	(0.0084)
Net Assets (for financial statement purposes)	<b>\$ 12.5443</b>	\$ 13.5598

### 3. Warrants

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The Fund issued 1,823,754 warrants to unitholders of record outstanding at the close of business on April 22, 2011. All unitholders as of the record date received one warrant for each unit held. Each warrant entitles its holder to acquire one unit upon payment of \$13.02 on or before September 15, 2011. Warrants are exercisable commencing April 25, 2011. Warrants not exercised by the expiry date will be rendered void and of no value. During the period, no warrants were exercised.

## Gold Participation and Income Fund

### Notes to Financial Statements

June 30, 2011

#### 4. Transaction Fees

Total transaction fees paid during the six month period ended June 30, 2011 in connection with portfolio transactions were \$67,020 (June 30, 2010 - \$92,129). Of this amount \$21,906 (June 30, 2010 - \$31,236) was directed to cover payment of research services provided to the Investment Manager.

#### 5. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund remain unchanged from the prior year and are described in Note 11 of the annual financial statements for the year ended December 31, 2010.

The following is a summary of the inputs used as of June 30, 2011 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 8,392,718	\$ -	\$ -	\$ 8,392,718
Non-North American Common Shares	650,325	-	-	\$ 650,325
United States Common Shares	1,792,875	-	-	\$ 1,792,875
Exchange-Traded Funds	11,131,486	-	-	\$ 11,131,486
Forward Exchange Contracts	-	(1,129)	-	\$ (1,129)
Options	(2,700)	80,937	-	\$ 78,237
<b>Total Investments</b>	<b>\$ 21,964,704</b>	<b>\$ 79,808</b>	<b>\$ -</b>	<b>\$ 22,044,512</b>

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 21,095,079	\$ -	\$ -	\$ 21,095,079
Non-North American Common Shares	2,190,610	-	-	\$ 2,190,610
United States Common Shares	3,581,879	-	-	\$ 3,581,879
Exchange-Traded Funds	15,976,716	-	-	\$ 15,976,716
Forward Exchange Contracts	-	476,060	-	\$ 476,060
<b>Total Investments</b>	<b>\$ 42,844,284</b>	<b>\$ 476,060</b>	<b>\$ -</b>	<b>\$ 43,320,344</b>

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2011 and during the year ended December 31, 2010.

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2011

### Other Price Risk

Approximately 96 percent (December 31, 2010 - 98 percent) of the Fund's net assets held at June 30, 2011 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2011, the net assets of the Fund would have increased or decreased by \$2.2M (December 31, 2010 - \$4.3M) respectively or 9.6 percent (December 31, 2009 - 9.6 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

### Currency Risk

Approximately 63 percent (December 31, 2010 - 52 percent) of the Fund's net assets held at June 30, 2011 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2011 and December 31, 2010, the Fund had no currency risk as a result of its investment in foreign currency contracts.

### Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the current period and prior year based on Standard & Poor's credit ratings as of June 30, 2011 and December 31, 2010:

<b>Dealer</b>	<b>Long-Term Local Currency Rating</b>	<b>Short-Term Local Currency Rating</b>
<b>Canadian Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
<b>US Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

The Fund held no short-term investments as of June 30, 2011 and December 31, 2010.

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2011

### 6. Future Accounting Policy Changes

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The Fund was required to adopt International Reporting Standards (“IFRS”) for the year beginning on January 1, 2011. However, the Canadian Accounting Standards Board approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2013 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2013.

## Gold Participation and Income Fund

### Investment Funds Managed by Mulvihill Capital Management Inc.

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#### UNIT TRUSTS

Canadian Utilities & Telecom Income Fund  
Core Canadian Dividend Trust  
Gold Participation and Income Fund  
Premier Canadian Income Fund  
Top 10 Canadian Financial Trust

#### SPLIT SHARES

Premium Income Corporation  
S Split Corp.  
Top 10 Split Trust  
World Financial Split Corp.

#### PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust

#### Head Office

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## Gold Participation and Income Fund

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