2012 INTERIM REPORT

BLUE RIBBON INCOME FUND

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RBN.UN

Actively managed, broadly diversified portfolio of income-producing securities.

Management Report of Fund Performance

August 14, 2012

This interim management report of fund performance for Blue Ribbon Income Fund (the "Fund") contains financial highlights but does not contain the interim financial statements of the Fund. The interim financial statements follow this report. You may obtain a copy of the interim or annual financial statements, at no cost, by calling 866-642-6001 or by sending a request to Investor Relations, Brompton Funds, Bay Wellington Tower, Brookfield Place, 181 Bay Street, Suite 2930, P.O. Box 793, Toronto, Ontario, M5J 2T3, or by visiting our website at www.blueribbonincomefund.com or SEDAR at www.sedar.com. Unitholders may also contact us by using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, independent review committee's report, or quarterly portfolio disclosure.

In accordance with investment fund industry practice, all figures presented in this management report of fund performance, unless otherwise noted, are based on the Fund's calculation of its Net Asset Value, which is in accordance with the terms of the Fund's declaration of trust.

The Fund

Blue Ribbon Income Fund is a closed-end investment trust managed by Blue Ribbon Funds Management Ltd. (the "Administrator"). Brompton Funds Limited ("Brompton") is the sub-administrator of the Fund and provides administrative services to the Fund on behalf of the Administrator. The units of the Fund trade on the Toronto Stock Exchange ("TSX") under the symbol RBN.UN. The Fund's portfolio is actively managed by Bloom Investment Counsel, Inc. ("Bloom," or "Investment Manager"), a specialist in income-oriented investments. The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with high monthly distributions and low management fees, together with the opportunity for capital appreciation.

Risks

Risks associated with an investment in the units of the Fund are discussed in the Fund's 2011 annual information form, which is available on the Fund's website at www.blueribbonincomefund.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the units of the Fund.

Results of Operations

Distributions and Net Change in Assets from Operations

During the six months ended June 30, 2012, the Fund declared monthly cash distributions to unitholders which totaled $0.33 per unit, unchanged from the prior year. Since inception in September 1997, the Fund has paid total cash distributions of $13.85 per unit.

Total revenue from the Fund's portfolio was $0.34 per unit for the six months ended June 30, 2012, up from $0.31 in the first half of 2011. The increase was primarily a result of distributions from Noranda Income Fund in 2012; the Fund did not receive distributions from Noranda Income Fund in the first half of 2011.

Expenses for the first half of 2012 were $0.11, compared to $0.10 the previous year.

The Fund's net income for the first half of 2012 was $0.23 per unit, while a payment of $0.33 per unit of distributions was made. The Fund has in the past supported its level of distributions through gains in the portfolio.

Net Asset Value

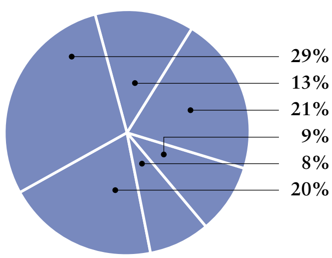
The Net Asset Value per unit of the Fund was $10.74 as at June 30, 2012, down by 5.0% from $11.31 as at December 31, 2011, reflecting depreciation in the Fund's portfolio value during the period, which was marked by market volatility. The aggregate Net Asset Value of the Fund was $223.2 million as at June 30, 2012, down from $236.7 million at December 31, 2011.

Investment Portfolio

During the six months ended June 30, 2012, NAL Energy Corp. merged with Pengrowth Energy Corp. and the Fund sold Progress Energy Resources Corp. after the company announced it would be acquired by Petronas Canada, bringing the number of income trusts and dividend-paying equities in the Fund's portfolio to 26, down from 28 as at December 31, 2011. The breakdown of the portfolio (excluding cash and short-term investments) is shown in the accompanying pie chart, and a detailed listing of the Fund's security holdings is provided in the financial statements.

Positive realized gains of $11.3 million from Progress Energy Resources Corp., Inter Pipeline Fund and TransForce Inc. were offset by unrealized losses of $18.9 million in the Fund's portfolio. The oil and gas sector had the largest net realized and unrealized loss, followed by energy infrastructure/services, while the real estate and industrial sectors both delivered positive gains.

Portfolio Sectors



Net Gains (Losses) by Sector (millions)	Realized	Unrealized	Total
Oil and gas	$ 1.1	$ (9.5)	$ (8.4)
Materials	0.1	(2.7)	(2.6)
Pipes, power, utilities and infrastructure	4.8	(9.3)	(4.5)
Industrial	1.6	(2.0)	(0.4)
Consumer staples and discretionary	0.0	2.4	2.4
Real estate	1.5	2.2	3.7
	$ 9.1	**$ (18.9)**	**$ (9.8)**

Liquidity

To provide liquidity for unitholders, units of the Fund are listed on the TSX under the symbol RBN.UN. The Fund's normal course issuer bid program allows it to purchase its units on the TSX for cancellation if they trade below Net Asset Value per unit. As a result, purchases under the issuer bid are accretive to the Net Asset Value per unit at the time of purchase. During the six months ended June 30, 2012, 137,400 units were purchased at an average price per unit of $11.01.

Related Party Transactions

Related party transactions consist of services provided by the Administrator and the Investment Manager pursuant to administration and investment management agreements. See the Administration and Investment Management Fees section below.

Administration and Investment Management Fees

Pursuant to an administration agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administration fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Administrator is also reimbursed for all general and administrative expenses that relate to the operation of the Fund. The administration fee is used by the Administrator to cover its costs to obtain the Fund's assets, the cost to administer the Fund and for profit. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers based on the proportionate number of units held by clients of each dealer at the end of each calendar quarter. Bloom Investment Counsel, Inc. is the Investment Manager of the Fund, and is paid an investment management fee of 0.50% per annum of the Net Asset Value of the Fund. During the six months ended June 30, 2012, administration and investment management fees amounted to $1.3 million and service fees amounted to $0.5 million.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help readers understand the Fund's financial performance for the fiscal periods indicated. This information is derived from the Fund's audited annual and unaudited interim financial statements. *The information in the following tables is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing Net Assets per unit.* The increase (decrease) in Net Assets from operations is based on average units outstanding during the period, and all other numbers are based on actual units outstanding at the relevant point in time.

Net Assets per Unit[1]

	For the Six Months Ended June 30, 2012	For the Year Ended December 31 2011	2010	2009	2008	2007
Net Assets per unit, beginning of period/year[2]	$ **11.29**	$ 11.09	$ 9.75	$ 7.50	$ 11.08	$ 11.08
Increase (decrease) from operations:[3]						
Total revenue	**0.34**	0.71	0.67	0.69	1.03	1.03
Total expenses	**(0.11)**	(0.20)	(0.18)	(0.59)	(0.19)	(0.19)
Realized gains (losses)	**0.44**	0.35	0.35	0.14	0.03	0.03
Unrealized gains (losses)	**(0.90)**	(0.04)	1.52	2.30	(3.46)	(3.46)
Total increase (decrease) in Net Assets from operations	$ (0.23)	$ 0.82	$ 2.36	$ 2.54	$ (2.59)	$ (2.59)
Distributions to unitholders[2]						
From net investment income	$ **N/A**[4]	$ 0.41	$ 0.41	$ —	$ 0.84	$ 0.84
From capital gains	**N/A**[4]	0.17	—	—	0.03	0.03
Return of capital	**N/A**[4]	0.08	0.42	0.72	0.15	0.15
Total distributions to unitholders	$ **0.33**	$ 0.66	$ 0.83	$ 0.72	$ 1.02	$ 1.02
Net Assets per unit, end of period/year[2]	$ **10.72**	$ 11.29	$ 11.09	$ 9.75	$ 7.50	$ 7.50

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value calculated for weekly Net Asset Value purposes. The difference is primarily a result of investments being valued at bid prices for financial statement purposes and closing prices for weekly Net Asset Value purposes.

(2) Net Assets per unit and distributions per unit are based on the actual number of units outstanding at the relevant time.

(3) The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(4) Allocations for the period ended June 30, 2012 are not determinable until year-end.

Ratios and Supplemental Data (Based on Net Asset Value)

As at	June 30, 2012	December 31 2011	2010	2009	2008	2007
Net Asset Value (000s)	**$ 223,186**	$ 236,652	$ 256,514	$ 250,971	$ 210,523	$ 328,028
Number of units outstanding (000s)	**20,784**	20,915	23,091	25,753	28,076	29,598
Management expense ratio ("MER")(1)	**1.94%**	1.84%	2.21%	7.23%	1.80%	1.83%
Trading expense ratio(2)	**0.04%**	0.05%	0.05%	0.17%	0.08%	10.00%
Portfolio turnover rate(3)	**4.22%**	4.94%	9.38%	78.96%	20.50%	27.66%
Net Asset Value per unit	**$ 10.74**	$ 11.31	$ 11.09	$ 9.78	$ 7.55	$ 11.08
Closing market price	**$ 10.80**	$ 10.79	$ 10.64	$ 9.78	$ 5.27	$ 8.96

(1) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction costs) of the Fund for the stated period, including interest expense and issuance costs, and is expressed as an annualized percentage of the average Net Asset Value of the period. For 2009, the MER includes the one-time extraordinary expenses associated with the reorganization of the Fund. Please see the Expense Ratio section following this table for further discussion of the calculation.

(2) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average Net Asset Value of the Fund during the period.

(3) The Fund's portfolio turnover rate indicates how actively the Fund's Investment Manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, excluding cash and short-term investments maturing in less than one year, by the average market value of investments during the period.

Expense Ratio

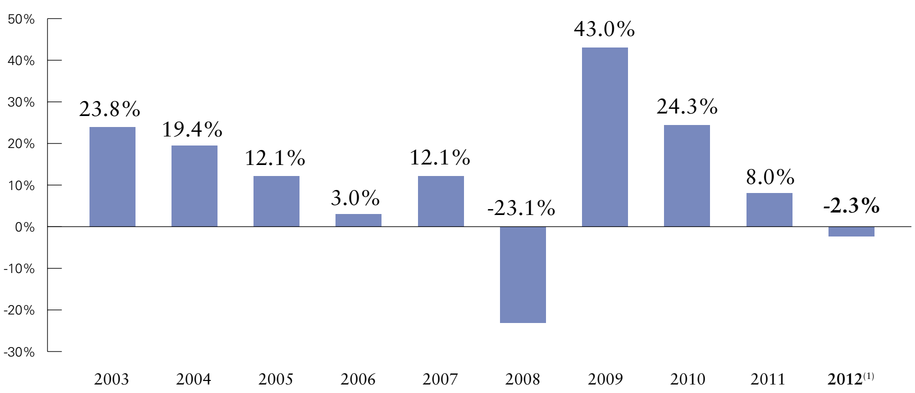
The MER of the Fund was 1.94% for the six months ended June 30, 2012, compared to 1.84% for the year ended December 31, 2011, reflecting higher operating costs of the Fund in the current year.

Past Performance

The following chart and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that cash distributions made by the Fund and deemed distributions based on the intrinsic value of the rights/warrants at approximately the exercise date of the rights/warrants in the periods shown were reinvested at Net Asset Value per unit in additional units of the Fund.

The bar chart shows the Fund's return for each period since January 1, 2003 to June 30, 2012. The chart shows, in percentage terms, how an investment held on the first day of each fiscal period would have changed by the last day of the fiscal period.

Year-by-Year Returns



(1) Period from January 1, 2012 to June 30, 2012.

The following table shows the Fund's compound return for each period indicated, compared with the S&P/TSX Composite Index ("Composite Index"). The Composite Index tracks the performance, on a market weight basis, of a broad index of large-capitalization issuers listed on the TSX. The Composite Index is calculated without the deduction of fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Annual Compound Returns

	Six Months Ended June 30, 2012	Since Inception[1]
Blue Ribbon Income Fund	(2.3%)	12.1%
S&P/TSX Composite Index	(1.5%)	5.8%

[1] Period from September 16, 1997 (commencement of operations) to June 30, 2012.

Since inception, the Fund has outperformed the Composite Index, even after taking into account the administration costs of the Fund. This consistent outperformance reflects the strong performance of high income equities, coupled with careful security selection by the Investment Manager. During the six months ended June 30, 2012, the Fund performed in line with the market when taking the administration costs into account.

Summary of Investment Portfolio

As at June 30, 2012

Total Net Asset Value	$ 223,185,814

Portfolio Composition	**% of Portfolio**	**% of Net Asset Value**
Oil and gas	26.8%	24.9%
Pipes, power, utilities and infrastructure	19.0%	17.7%
Real estate	18.3%	17.0%
Materials	12.0%	11.1%
Industrial	8.6%	8.0%
Cash and short-term investments	7.9%	7.3%
Consumer staples and discretionary	7.4%	6.9%
Total investment portfolio	100.0%	92.9%
Other Net Assets		7.1%
Total Net Asset Value		100.0%

Holdings	**% of Portfolio**	**% of Net Asset Value**
Cash and short-term investments	7.9%	7.3%
Chemtrade Logistics Income Fund	6.4%	5.9%
TransForce Inc.	6.0%	5.6%
Noranda Income Fund	5.6%	5.2%
Vermilion Energy Inc.	5.5%	5.1%
ARC Resources Ltd.	5.5%	5.1%
Huntingdon Capital Corp.	5.2%	4.8%
Keyera Corp.	4.9%	4.6%
AltaGas Ltd.	4.5%	4.2%
Crescent Point Energy Corp.	4.4%	4.1%
Baytex Energy Corp.	4.1%	3.8%
Veresen Inc.	4.1%	3.8%
Pengrowth Energy Corporation	4.0%	3.7%
Extendicare REIT	3.7%	3.4%
EnerCare Inc.	3.5%	3.3%
Morguard REIT	3.3%	3.0%
Bonavista Energy Corp.	3.2%	3.0%
Superior Plus Corp.	2.5%	2.4%
Innergex Renewable Energy Inc.	2.5%	2.3%
Colabor Group Inc.	2.2%	2.0%
Innvest REIT	2.0%	1.9%
Inter Pipeline Fund	1.9%	1.7%
H&R REIT	1.7%	1.5%
Whistler Blackcomb Holdings Inc.	1.7%	1.5%
RioCan REIT	1.6%	1.5%

The investment portfolio may change due to ongoing portfolio transactions of the investment fund. Quarterly updates are available on the Fund's website at www.bromptongroup.com within 60 days of each quarter end.

Investment Manager

Bloom Investment Counsel, Inc.

Bloom Investment Counsel, Inc. has considerable experience and a strong track record of managing portfolios of high-yielding income trusts and dividend-paying equities. Paul Bloom was previously recognized as one of the 50 TopGun Canadian Equity Portfolio Managers by Brendan Wood International. Bloom was established in 1985 and specializes in the management of segregated investment portfolios for wealthy individuals, corporations, institutions and trusts. In addition to its conventional investment management business, Bloom currently manages specialty high-yield equity portfolios comprised of dividend-paying common equity securities, income trusts, real estate investment trusts and limited partnerships. Within the last five years, Bloom has managed portfolios in this specialty area with a market value of over $2.5 billion.

BLOOM
INVESTMENT COUNSEL, INC.

Investment Manager's Report

July 6, 2012

The Canadian Economy

Canadian real GDP rose by 0.3% in April, the most recent data available. This was slightly better than consensus expectations and leaves second quarter GDP on track to deliver approximately 2.5% growth. Mining and oil and gas extraction grew by 2.7% in April, reversing the two previous months' weak results. The services sector grew marginally in March, by 0.1%, driven primarily by the fifth sequential month of strength in the wholesale trade sector, which grew by 1.2%. There is no change to our view that 2012 is shaping up to be a transition year where the private sector will be the driver of future economic growth and government economic stimulation programs will be curtailed, but not fully eliminated.

Headline CPI fell by 0.1% while Core CPI readings rose slightly, by 0.2% for the month of May; both CPI readings were below expectations. Year-over-year, the inflation rates came in at 1.2% and 1.8%, respectively, the Core rate trending well below the Bank of Canada's 2.0% annual target. At this point, given the weak global economy, the Bank will likely continue to refrain from interest rate changes as a market intervention tool. The Bank will more likely let the deflationary pressures of weaker oil prices offset the hot condominium markets and remain on the sidelines.

In an effort to cool condominium and other housing prices without raising interest rates, the Federal Government of Canada initiated a number of mortgage lending changes, making it more difficult to use debt to finance property purchases. One of the more significant moves was to further reduce the maximum amortization period of CMHC-insured loans from 30 to 25 years. These actions were seen to be directed more towards the very "hot" condominium markets in Toronto and Vancouver than towards existing homeowners.

Canadian employment numbers released on July 6, 2012, revealed a 7.2% unemployment rate for June 2012, down 0.1% month-over-month. Compared with 12 months earlier, employment increased 1.0% or 181,000. These employment levels are expected to be maintained until the Fall.

During the last quarter, the price of oil, as measured by the one-year forward strip for WTI in Canadian dollars, fell by 15.0%, from $104.88 to $89.19. The Canadian AECO natural gas 12-month strip price recovered nearly all its previous quarter's decline, rising by 23.4% from $2.18 to $2.69. Canadian spot oil and gas prices at quarter-end stood at $86.53/barrel and $1.90/GL, respectively. A current hot topic is the potential of liquid natural gas (LNG) exports from western Canada, specifically Kitimat and Prince Rupert, BC. The attraction for exporting Canadian LNG is to obtain the much higher prices for LNG available in Asian countries versus the currently depressed gas prices in North America. While all indications are that these terminals will get built, the reality is that the first LNG shipments will not occur until 2017 at the earliest. Investors need to temper their expectations.

Outlook

Our expectations for this year's performance of the Canadian equity market have changed from our mildly bullish frame of mind at the start of this year. At that time, we believed that global economies would slowly begin to recover and that equity markets would perform far better than in 2011. Six months into this year lets us see that while there was some economic recovery in the earlier part of this year, this has given way to more softness, especially in normally high-growth areas such as the BRIC countries, as well as Europe and the US, that is correspondingly slowing our own economy. We have therefore reduced our optimism for Canadian equities this year and in general taken a more conservative approach to the portfolios.

Nevertheless, the outlook for Canadian high-yield-paying stocks, where the Fund is focused, continues to be relatively sound. Canadians, fearful of a reoccurrence of the 2009 stock market crash, have continued to redeem equity holdings at a pace of roughly $3 billion a month since the start of the year. Their risk aversion to stocks is reflected by the high levels of cash being held, despite a roughly 40% rise in equity markets since February 2009. Once these cash positions, disproportionally held by those 50 years and older, are reinvested, it will likely not be in low-paying GICs and bonds but in all probability in the more attractive dividend yields provided by the high-income equity sector where the Fund's portfolio is centred.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may," "will," "should," "could," "anticipate," "believe," "expect," "intend," "plan," "potential," "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Notice

The accompanying unaudited financial statements of Blue Ribbon Income Fund for the six months ended June 30, 2012 have been prepared by management and have not been reviewed by the external auditors of the Fund.

Signed

Mark A. Caranci
President
Blue Ribbon Fund Management Limited

Signed

Craig T. Kikuchi
Chief Financial Officer
Blue Ribbon Fund Management Limited

August 14, 2012

Statements of Net Assets (Unaudited)

As at	June 30, 2012	Dec. 31, 2011
Assets		
Investments at fair value	**$ 190,348,689**	$ 233,748,996
Cash and short-term investments	**16,336,600**	2,434,529
Income receivable	**1,304,881**	1,379,026
Amounts receivable for securities sold	**16,176,000**	—
Total assets	**224,166,170**	237,562,551
Liabilities		
Accounts payable and accrued liabilities	**306,299**	388,883
Distributions payable to unitholders (note 7)	**1,143,137**	1,150,335
Total liabilities	**1,449,436**	1,539,218
Unitholders' equity		
Unitholders' capital (note 4)	**204,515,210**	205,793,814
Contributed surplus (note 4)	**11,740,582**	11,901,598
Retained earnings	**6,460,942**	18,327,921
Net Assets representing unitholders' equity (note 3)	**$ 222,716,734**	$ 236,023,333
Number of units outstanding (note 4)	**20,784,317**	20,915,178
Net Assets per unit	**$ 10.72**	$ 11.28

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

Statements of Operations and Retained Earnings (Unaudited)

For the six months ended June 30	2012	2011
Income		
Distribution income	$ 6,820,925	$ 7,084,548
Interest income	54,167	69,375
Securities lending income	116,600	75,359
	6,991,692	7,229,282
Expenses		
Administration and investment management fees (note 8)	1,265,728	1,451,769
Service fees (note 8)	453,796	536,767
Audit fees	18,836	16,196
Independent review committee fees	15,076	14,955
Trustee fees	3,947	3,772
Custodial fees	11,495	6,324
Legal fees	9,757	3,968
Unitholder reporting costs	5,382	11,076
Other administrative expenses	449,907	298,161
	2,233,924	2,342,988
Net investment income	4,757,768	4,886,294
Transaction costs	(83,602)	(106,178)
Net realized gain on sale of investments (note 9)	9,122,735	8,683,755
Change in unrealized appreciation (depreciation) of investments (note 9)	(18,788,934)	2,537,305
Increase (decrease) in Net Assets from operations	(4,992,033)	16,001,176
Retained earnings, beginning of period	18,327,921	14,730,833
Issuance of warrants (note 5)	—	(113,000)
Distributions to unitholders	(6,874,946)	(7,615,355)
Retained earnings, end of period	$ 6,460,942	$ 23,003,654
Increase (decrease) in Net Assets from operations per unit[1]	$ (0.24)	$ 0.69

[1] Based on the weighted average number of units outstanding during the period.

Statements of Changes in Net Assets (Unaudited)

For the six months ended June 30	2012	2011
Net Assets, beginning of period	$ 236,023,333	$ 256,120,928
Operations:		
Increase (decrease) in Net Assets from operations	(4,992,033)	16,001,176
Unitholder transactions:		
Distributions to unitholders	(6,874,946)	(7,615,355)
Total	(6,874,946)	(7,615,355)
Proceeds from issuance of units upon exercise of warrants (note 5)	—	299,779
Proceeds from distribution reinvestment plan (note 7)	73,336	—
Repurchase of units (note 4)	(1,512,956)	(625,799)
Total unitholder transactions	(1,439,620)	(326,020)
Increase (decrease) in Net Assets during the period	(13,306,599)	8,059,801
Net Assets, end of period	$ 222,716,734	$ 264,180,729

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

Statement of Investments (Unaudited)

As at June 30, 2012		Cost	Fair Value	% of Portfolio
No. of Units/ Shares	**Consumer Staples and Discretionary**			
592,000	Colabor Group Inc.	$ 6,079,252	$ 4,546,560	
800,000	EnerCare Inc.	3,386,363	7,320,000	
312,000	Whistler Blackcomb Holdings Inc.	3,626,581	3,400,800	
		13,092,196	**15,267,360**	**8.0%**
	Industrial			
866,700	Superior Plus Corp.	10,625,301	5,260,869	
750,000	TransForce Inc.	5,655,635	12,502,500	
		16,280,936	**17,763,369**	**9.3%**
	Materials			
850,000	Chemtrade Logistics Income Fund	8,710,949	13,132,500	
2,594,100	Noranda Income Fund, Class 'A'	12,830,442	11,621,568	
		21,541,391	**24,754,068**	**13.0%**
	Oil and Gas			
500,000	ARC Resources Ltd.	9,981,538	11,420,000	
200,000	Baytex Energy Corp.	5,964,000	8,570,000	
420,000	Bonavista Energy Corp.	10,730,407	6,682,200	
240,000	Crescent Point Energy Corp.	9,412,800	9,100,800	
1,285,000	Pengrowth Energy Corp.	12,182,990	8,301,100	
250,000	Vermilion Energy Inc.	5,479,271	11,417,500	
		53,751,006	**55,491,600**	**29.2%**
	Pipes, Power, Utilities and Infrastructure			
320,000	AltaGas Ltd.	6,323,420	9,251,200	
500,000	Innergex Renewable Energy Inc.	3,550,703	5,150,000	
200,000	Inter Pipeline Fund, Class 'A'	1,913,874	3,840,000	
229,400	Just Energy Group Inc.	1,956,438	2,564,692	
240,000	Keyera Corp.	5,105,185	10,120,800	
700,000	Veresen Inc.	7,126,352	8,449,000	
		25,975,972	**39,375,692**	**20.7%**
	Real Estate			
1,050,000	Extendicare REIT	10,170,988	7,560,000	
120,000	Firm Capital Mortgage Investment Corp.	1,258,800	1,596,000	
140,000	H&R REIT	2,236,524	3,421,600	
900,000	Huntingdon Capital Corp.	10,125,580	10,800,000	
900,000	InnVest Real Estate Investment Trust	4,785,000	4,221,000	
400,000	Morguard REIT	3,926,219	6,780,000	
120,000	RioCan REIT	2,405,983	3,318,000	
		34,909,094	**37,696,600**	**19.8%**
	Total Canadian Equities	**$ 165,550,595**	**$ 190,348,689**	**100.0%**

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

Notes to the Financial Statements (Unaudited)

June 30, 2012 and 2011

1. OPERATIONS

Blue Ribbon Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on July 11, 1997, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Blue Ribbon Fund Management Ltd. (the "Administrator") is responsible for managing the affairs of the Fund. Bloom Investment Counsel, Inc. manages the Fund's portfolio. CIBC Mellon Global Securities Services Company is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on September 17, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and should be read in conjunction with the most recent audited financial statements at December 31, 2011. The significant accounting policies used for preparing these unaudited interim financial statements are consistent with those used in preparing the audited financial statements, except as described below.

Future Accounting Changes

At the December 12, 2011 meeting, the Canadian Accounting Standards Board ("AcSB") decided to extend the mandatory International Financial Reporting Standards ("IFRS") changeover date for Canadian investment companies by an additional year. This is the third such deferral for investment companies. Accordingly, the new mandatory IFRS changeover date for these entities is January 1, 2014.

The Fund has been monitoring developments in the IFRS conversion program and has been assessing the likely impacts on implementation decisions, internal controls, information systems and training. In May 2011, the International Accounting Standards Board issued IFRS 13, Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It only applies when other IFRS require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires that valuation be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in the elimination of the difference between the Net Assets per unit and Net Asset Value per unit at the financial statement reporting dates.

Based on the Fund's current assessment of the differences between Canadian GAAP and IFRS, other than the impact due to IFRS 13 noted above, it is not expected that there will be any other impact on the Fund's Net Asset Value per unit or Net Assets per unit. Management has presently determined that the impact of IFRS to the financial statements will be limited to additional note disclosures and potential modifications to presentation, including unitholders' equity. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

In accordance with National Instrument ("NI") 81-106, a reconciliation is required between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value"). The reconciliation is as follows:

As at	June 30, 2012		December 31, 2011	
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 223,185,814**	**$ 10.74**	$ 236,652,433	$ 11.31
Section 3855 adjustment[1]	**(469,080)**	**(0.02)**	(629,100)	(0.03)
Net Assets	**$ 222,716,734**	**$ 10.72**	$ 236,023,333	$ 11.28

[1] The Section 3855 adjustment relates to the valuation of an investment at bid price for Net Assets and at closing price for Net Asset Value.

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the Net Asset Value of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of October for redemption on the second last business day of November ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date, less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the tenth business day in December, subject to the Administrator's right to suspend redemptions in certain circumstances. For purposes of calculating the Net Asset Value per unit, the value of the securities that make up the portfolio will be equal to the weighted average trading price of such securities over the last three business days of November.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid program for the period from December 2, 2011 to December 1, 2012. Pursuant to this issuer bid, the Fund is permitted to purchase up to 2,279,400 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

During the period ended June 30, 2012, a total of 137,400 units were repurchased for cancellation at an average cost of $11.01 per unit (June 30, 2011 – 56,200 units at an average cost of $11.14 per unit).

As of June 30, 2012, the Fund had accumulated contributed surplus of $11,740,582 (June 30, 2011 – $14,126,462). Contributed surplus is recorded when units of the Fund are redeemed or repurchased at prices per unit which are below the average cost per unit of unitholders' capital.

The weighted average number of units outstanding for the period ended June 30, 2012 was 20,853,904 (June 30, 2011 – 23,079,127).

5. WARRANTS

Unitholders received warrants on the basis of two warrants for every five units held on April 15, 2011. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $11.33. Warrants not exercised prior to August 25, 2011 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.17 per warrant to the dealer whose client was exercising the warrant.

The Fund issued 9,228,635 warrants to unitholders of record on April 15, 2011. During the year ended December 31, 2011, 46,708 warrants were exercised for net proceeds of $521,261. The remaining warrants expired. The fair value of each warrant on the date of issuance was $0.035 per warrant. Costs associated with the issuance of these warrants amounted to $210,000.

6. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with monthly cash distributions and the opportunity to participate in gains in the value of the investment portfolio. The Fund's capital includes unitholders' equity. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, issue warrants or purchase units for cancellation.

7. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Administrator, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the period ended June 30, 2012, the Fund declared total distributions of $0.33 (June 30, 2011 – $0.33) per unit, which amounted to $6,874,946 (June 30, 2011 – $7,615,355). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the period ended June 30, 2012, 6,539 units (June 30, 2011 – nil) in respect of distributions were issued by the Fund.

8. MANAGEMENT AND SERVICE FEES AND OTHER RELATED PARTY EXPENSES

Effective November 20, 2009, Blue Ribbon Fund Management Ltd. was appointed the Administrator of the Fund. Pursuant to a management agreement, the Administrator provides management and administrative services to the Fund, for which it is paid an administration fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Fund also pays to the Administrator a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Administrator to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter. Bloom Investment Counsel, Inc. is the Investment Manager of the Fund and is paid an investment management fee equal to 0.50% per annum of the Net Asset Value of the Fund, plus applicable taxes.

9. INVESTMENT TRANSACTIONS

For the six months ended June 30	2012	2011
Proceeds from sale of investments	$ 42,968,738	$ 32,887,582
Less cost of investments sold:		
Investments at cost, beginning of period	190,161,968	208,584,882
Investments purchased during the period	9,234,630	11,048,341
Investments at cost, end of period	(165,550,595)	(195,429,396)
Cost of investments sold during the period	33,846,003	24,203,827
Net realized gain on sale of investments	$ 9,122,735	$ 8,683,755

For the periods ended June 30, 2012 and 2011, there were no soft dollar amounts paid.

Notes to the Financial Statements (Unaudited) (continued)

June 30, 2012 and 2011

10. Securities Lending

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Global Securities Services Company. The Fund will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies. The market values of the securities on loan and the related collateral at June 30, 2012 were $80.6 million (June 30, 2011 – $70.0 million) and $85.3 million (June 30, 2011 – $74.1 million), respectively.

11. Financial Risk Management

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investments presents the securities held by the Fund as at June 30, 2012, and groups the securities by market segment. The following comparative summary presents the market segments held by the Fund as at December 31, 2011. Significant risks that are relevant to the Fund are discussed below.

Investment Sector	% of Portfolio
Consumer staples and discretionary	4.0%
Industrial	9.8%
Materials	12.0%
Oil and gas	34.7%
Pipes, power, utilities and infrastructure	22.6%
Real estate	16.9%
Total	100.0%

The Administrator attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing a professional, experienced investment manager who diversifies the investment portfolio within the constraints of the investment objectives. To assist in managing risks, the Administrator also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is primarily comprised of income trusts and Canadian equities.

a) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Manager attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in income trusts and equity securities. As at June 30, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $19.0 million or 8.6% of total Net Assets (June 30, 2011 – approximately $24.2 million or 9.2% of total Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of the Fund's income receivable and amounts receivable for securities sold represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have sufficient, approved credit and the value of cash or securities held as collateral must be at least 105% of the fair value of the securities loaned.

c) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its annual redemptions. For the annual redemption, the Fund receives notice at least 20 business days prior to the date of redemption and has up to 10 business days following the date of redemption to settle the redemptions, which provides the Investment Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price.

All of the Fund's financial liabilities had maturities of less than three months.

12. FAIR VALUE DISCLOSURES

The Fund's assets and liabilities recorded at fair value have been categorized in accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosure."

Section 3862 requires the Fund to classify its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

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. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Short-term notes included in cash and short-term investments are classified as level 1.

As at June 30, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 190,348,689	$ —	$ —	$ 190,348,689
Total investments	**$ 190,348,689**	**$ —**	**$ —**	**$ 190,348,689**

There were no transfers among the levels during the period ended June 30, 2012.

As at December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	$ 233,748,996	$ —	$ —	$ 233,748,996
Total investments	$ 233,748,996	$ —	$ —	$ 233,748,996

There were no transfers among the levels during the year ended December 31, 2011.

Corporate Information

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Vice President, Portfolio Manager

Trustee

Computershare Trust Company of Canada

Custodian

CIBC Mellon Global Securities
Services Company

Auditors

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