

Dehcho First Nations Master Trust

Financial Statements

December 31, 2009

Dehcho First Nations Master Trust

Financial Statements

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Auditors' Report

To the Trustee of Dehcho First Nations Master Trust

We have audited the balance sheet of Dehcho First Nations Master Trust as at December 31, 2009 and the statements of income and distributions and trust income for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

**Yellowknife, Canada
March 29, 2010**

Mackay LLP
Chartered Accountants

Dehcho First Nations Master Trust

Statement of Income and Distributions

For the year ended December 31,	2009	2008
Receipts		
Dividend income	\$ 108,336	\$ 100,068
Foreign income	26,272	31,686
Interest income	178,814	289,004
Other income	107,969	190,481
Secondary income (loss)	(23,153)	9,580
	398,238	620,819
Disbursements		
Accounting	15,000	16,147
Distribution income education	-	36,282
Foreign taxes	3,342	4,340
Investment management board expenses	71,200	34,378
Investment management and trustee fees	145,726	130,933
Legal	33,608	24,189
Overdraft fees	89	12
Professional fees	32,786	10,000
	301,751	256,281
Income before other items	96,487	364,538
Other income (expenses)		
Loss on sale of investments	(523,521)	(251,667)
Return of capital adjustments	12,076	10,791
Unrealized gains (losses)	1,687,219	(1,577,592)
	1,175,774	(1,818,468)
Net income (loss)	\$ 1,272,261	\$ (1,453,930)

Dehcho First Nations Master Trust

Statement of Trust Income

For the year ended December 31,

	Balance, beginning of year	Surplus (deficiency) of revenues over expenditures	2009 Balance, end of year
Master Trust	\$ 10,747	\$ 43	\$ 10,790
Community Development Fund	2,368,625	231,956	2,600,581
Economic Development Fund	2,432,817	243,417	2,676,234
Elders' Heritage Fund	492,713	35,016	527,729
Education Fund	1,601,726	161,784	1,763,510
Immediate Opportunities Fund	5,531,223	455,606	5,986,829
Land Acquisition Fund	1,285,085	144,439	1,429,524
	\$ 13,722,936	\$ 1,272,261	\$ 14,995,197
2008	\$ 15,176,866	\$ (1,453,930)	\$ 13,722,936

Dehcho First Nations Master Trust

Balance Sheet

December 31, 2009 2008

Assets

Current

Accrued interest and dividends receivable (note 6) \$ 35,750 \$ 47,484

Investments (note 7) 14,984,447 13,685,452

\$ 15,020,197 **\$ 13,732,936**

Liability

Current

Accounts payable and accrued liabilities \$ 25,000 \$ 10,000

Trust capital

Master Trust 10,790 10,747

Community Development Fund 2,600,581 2,368,625

Economic Development Fund 2,676,234 2,432,817

Elders' Heritage Fund 527,729 492,713

Education Fund 1,763,510 1,601,726

Immediate Opportunities Fund 5,986,829 5,531,223

Land Acquisition Fund 1,429,524 1,285,085

14,995,197 **13,722,936**

\$ 15,020,197 **\$ 13,732,936**

Approved by the trustee:

_____ Trustee

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

1. Nature of operations

Dehcho First Nations Master Trust (the "Trust") was settled effective March 8, 2006 for the purpose of receiving the Settlement Funds and Economic Development Funding and to enable the Dehcho First Nations to identify and implement economic development opportunities in relation to the Mackenzie Gas Project.

The beneficiaries of the Trust are:

- The Dehcho First Nations,
- Each of the Dehcho First Nations (Acho Dene Koe First Nation, Deh Gah Got'ie First Nation, K'agee Tu First Nation, Natlodeeche First Nation, Liidli Kue First Nation, Na_ahde First Nation, Pehdzeh Ki First Nation, Samba K'e Dene Band, Ttheke'deli First Nation, West Point First Nation, Fort Liard Metis Local 67, Fort Providence Metis Council, Fort Simpson Metis Local 52),
- Members of the Dehcho First Nations, and
- Any other trusts that may be established for the benefit of the Dehcho First Nations pursuant to the terms of this Trust

CIBC Trust Corporation of Canada acts as the Corporate Trustee for the Trust.

2. Trust

Dehcho First Nations Master Trust is unincorporated and these financial statements therefore include only those assets, liabilities, revenues and expenses of the Trust, and do not include all of the assets, liabilities, revenues and expenses of the beneficiaries. Accordingly, no charges have been made in the accounts for salaries or interest accruing to the beneficiaries. No provision has been made for income taxes as income of the Trust is taxed in the hands of the beneficiaries.

3. Implemented accounting policies

Allocation of expenditures

In January 2009, the CICA issued Handbook Section 4470, which is effective for fiscal years beginning on or after January 1, 2009. The section specifies (i) the disclosure of accounting policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis for which such allocations have been made, and (ii) that the amounts allocated from fundraising and general support expense and the amounts and functions to which they have been allocated should be disclosed. This new Section relates to disclosures and did not have an impact on the Trust's financial results.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

4. Significant accounting policies

The following is a summary of the significant accounting policies used by management in the preparation of these financial statements.

(a) Trust Funds

Master Trust is for the purpose of receiving Settlement Funds and Economic Development Funding and distribute the funds received to the other six Trust Funds.

Community Development Fund is to foster development of economic capabilities for the community through community owned enterprises and ventures, which will provide employment, training, and business experience to Members, and develop permanent facilities for the benefits of the community.

Economic Development Fund is to foster development of economic capabilities for the community through community owned enterprises and ventures, with profit as its primary goal, which will provide employment, training, and business experience to Members, develop permanent facilities for the benefits of the community and create an income for the Dehcho First Nations on a medium to long-term basis.

Elders' Heritage Fund is viewed as an investment in the Dehcho First Nations culture future. This Fund will distribute half of its income annually to the Dehcho First Nations for the purposes of the Elders Heritage Fund and invest the other half of the income as capital. Every five years one half of the capital appreciation earned in the Elders Heritage Fund will be distributed to the Dehcho First Nations for the purposes of the Elders Heritage Fund.

Education Fund would advance the education of the Dehcho people through the provision of scholarships, fellowships, bursaries, grants, loans and other forms of assistance to Members wishing to pursue further education. The Fund could also provide educational institutions, facilities, programs, resources and opportunities for Dehcho First Nations people of all ages and educational achievement. The Fund will last into perpetuity, while maintaining an income for the present and future generations of students, regardless of age.

Immediate Opportunities Fund is to foster development of economic capabilities among Members of the Dehcho First Nations through loans, investments, grants, loan guarantees and other forms of assistance to community or individually-owned enterprises and ventures, with profit as the primary motive, which will provide employment, training, or business experience to Members, with an emphasis on building occupational and management skills.

Land Acquisition Fund is meant to have the longest outlook of all of the Dehcho First Nations Funds. Every twenty-five years this Fund will disburse twenty-five percent of the capital appreciation over the previous twenty-five years. These proceeds are to be used in the purchase of real estate, which encompasses anything from raw land, to developing an urban reserve, to investment in real estate investments.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

4. Significant accounting policies (continued)

(b) Investments

Investments are recorded at fair value. Unrealized gains and losses as a result of fair value adjustments at year end are included in investment income for the year.

(c) Revenue recognition

Investment transactions are accounted for as of the trade date, interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

(d) Foreign currency translation

The Trust uses the current rate method to translate some of its foreign currency transactions only if the current rate is known at the time of the transaction. Monetary assets and liabilities are translated at the rate of exchange in effect at year-end and revenue is translated at the average rate of exchange for the year. Exchange gains and losses for monetary assets, liabilities and revenue are included in the statement of revenue and expenditures.

(e) Allocation of Expenses

The Trust allocates expenditures according to the fund from which the board of trustees approves the expenditure. The board of trustees takes into consideration the nature of the expenditure as well as the reason for the undertaking the expenditure. Common costs including management fees, accounting and other professional fees are prorated based on the asset of each fund (excluding the Elders' Heritage Fund and the Education Fund) at the time that the expenditure is posted to the accounts.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

5. Future changes to significant accounting policies

Financial instruments

The Canadian Institute of Chartered Accountants has recently amended CICA Handbook Section 3855, Financial instruments - Recognition and Measurement. These amendments clarify the application of the effective interest method after a debt instrument has been impaired and when an embedded prepayment option is separated from its host debt instrument for accounting purposes. These amended standards are effective for fiscal periods beginning on or after January 1, 2011, however, early adoption is permitted.

The Trust is currently assessing the impact of these new accounting standards on its financial statements.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board approved a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards for publicly accountable entities, and other entities that so-choose, will converge with International Financial Reporting Standards ("IFRS"). Implementation for entities that either are required or elect to convert to IFRS will be mandatory for fiscal years beginning on or after January 1, 2011, but earlier adoption is permitted. The Trust has not yet made a choice as to which standard it will adopt on January 1, 2011; accordingly, the impact of the transition to IFRS or other standard on the Trust's financial statements has not yet been determined

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

6. Accrued interest and dividends receivable

		2009		2008
Community Development Fund	\$	6,480	\$	8,460
Economic development Fund		6,110		8,170
Elders' Heritage Fund		1,470		2,314
Education Fund		3,717		4,975
Immediate Opportunities Fund		14,899		19,083
Land Acquisition Fund		3,074		4,482
	\$	35,750	\$	47,484

7. Investments

	Market	2009 Cost	Market	2008 Cost
Community Development Account	\$ 22,505	\$ 8,868	\$ 8,978	\$ 8,868
Economic Development Account	147,052	69,076	69,927	69,076
Elders Heritage Account	18,585	7,967	8,065	7,967
Business Ventures Account	362,937	173,079	175,213	173,079
Master Trust Account	12,213	2,020	12,175	2,016
Community Development Fund	2,591,043	2,130,195	2,352,616	2,078,442
Economic Development Fund	2,482,496	2,184,270	2,356,148	2,132,452
Elders Heritage Fund	719,584	771,732	658,376	741,298
Education Fund	1,414,080	1,255,640	1,248,353	1,219,764
Immediate Opportunities Fund	5,768,518	4,740,414	5,513,569	4,662,642
Land Acquisition Fund	1,445,434	1,292,036	1,282,032	1,268,851
	\$ 14,984,447	\$ 12,635,297	\$ 13,685,452	\$ 12,364,455

The portfolio as a whole is considered to be a long-term investment as the mandate and purpose of the Trust is to maintain the settlement amounts received from the Government of Canada and distribute only earnings to the beneficiaries.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

8. Capital disclosure

The Trust's objectives when managing capital are:

(a) To safeguard the Trust's ability to continue as a going concern, so that it can continue to fulfil the purpose of each of Trust Funds and provide benefits for peoples of the Dehcho First Nations.

(b) To provide an adequate return on investments of capital by managing long-term investments in each of Trust Funds commensurately with the level of risk.

The Trust manages the capital structure in accordance with the Trust Agreement, and in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Trust monitors capital on the basis of the excess of revenues over expenditures before other items. It is calculated as revenues minus expenditures as follows:

	2009	2008
Revenues	\$ 398,238	\$ 620,819
Expenditures	(301,751)	(256,281)
	\$ 96,487	\$ 364,538

9. Statement of cash flows

Inclusion of a statement of cash flows would not provide any additional information that is not evident from the financial statements already presented. Therefore, a statement of cash flows has not been presented.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2009

10. Financial instruments

The following sections describe the Trust's financial risk management objectives and policies and the Trust's financial risk exposures.

- (a) Financial risk management objectives and policies
The Investment Management Board reviews the portfolio on a regular basis and instructs the trustee to reallocate funds to match the risk profile as specified in the terms of the trust agreement.
- (b) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Trust does not use derivative instruments to reduce its exposure to foreign currency risk.
- (c) Market risk
Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market.
- (d) Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments, and may result from an inability to sell a financial asset quickly at close to its fair value.
- (e) Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Trust is exposed to interest rate risk through its investments.

The table below presents the remaining terms to maturity at fair value, along with the average effective yields for each maturity, for fixed income financial instruments (bonds) exposed to interest rate risk as at December 31, 2009:

	Within 1 yr	1 - 5 yrs	5 - 10 yrs	Remaining term to maturity Over 10 yrs	2009
Fixed income (bonds)	-	1,296,207	1,318,214	306,220	2,920,641
Average effective yields	- %	2.343 %	3.668 %	6.561 %	3.383 %

Dehcho First Nations Master Trust

Schedule of Trust Fund Revenue and Expenditures

For the year ended December 31, 2009

	Master Trust	Community Development Fund	Economic Development Fund	Education Fund	Elders Heritage Fund	Immediate Opportunities Fund	Land Acquisition Fund	Total
Revenues								
Dividend Income	\$ -	\$ 21,211	\$ 16,843	\$ 13,004	\$ 6,158	\$ 36,449	\$ 14,671	\$ 108,336
Foreign Income	-	4,260	4,642	4,069	2,104	7,708	3,489	26,272
Interest Income	1,695	29,677	31,538	15,622	5,781	81,819	12,682	178,814
Other Income	1,024	19,235	19,256	10,586	6,919	42,519	8,431	107,970
Secondary Income	(23,153)	-	-	-	-	-	-	(23,153)
Total	(20,434)	74,383	72,279	43,281	20,962	168,495	39,273	398,239
Expenditures								
Bookkeeping	-	2,500	2,500	2,500	2,500	2,500	2,500	15,000
Foreign Taxes	-	562	593	630	286	796	475	3,342
IMB Expenses	-	13,354	13,984	-	-	35,850	8,013	71,201
Investment management and trustee Fees	-	26,772	24,994	15,620	8,481	51,994	17,865	145,726
Legal fees	-	7,723	7,723	-	-	13,752	4,410	33,608
Overdraft fees	-	25	24	-	-	40	-	89
Professional fees	-	5,905	5,906	2,735	1,367	13,498	3,374	32,785
Total	-	56,841	55,724	21,485	12,634	118,430	36,637	301,751
Excess (deficiency) of revenues over expenditures before other items	(20,434)	17,542	16,555	21,796	8,328	50,065	2,636	96,488
Losses on sale of investments	-	(90,932)	(89,130)	(60,558)	(35,903)	(158,867)	(88,129)	(523,519)
Unrealized gains (losses)	20,477	302,860	313,803	72,240	188,175	560,773	228,890	1,687,218
Return of capital adjustments	-	2,485	2,189	1,539	1,183	3,636	1,045	12,077
	20,477	214,413	226,862	13,221	153,455	405,542	141,806	1,175,776
Excess (deficiency) of revenues over expenditures	\$ 43	\$ 231,955	\$ 243,417	\$ 35,017	\$ 161,783	\$ 455,607	\$ 144,442	\$ 1,272,264