

Dehcho First Nations Master Trust

Financial Statements

December 31, 2008

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Auditors' Report

To the Beneficiaries of Dehcho First Nations Master Trust

We have audited the statement of financial position of Dehcho First Nations Master Trust as at December 31, 2008 and the statements of revenue and expenditures and changes in net assets 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.

Except as noted in the following paragraph, 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.

We have not examined, and do not express an opinion on, the financial statements for the preceding period, accordingly, we are unable to determine whether adjustments to the opening balances might be necessary.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary, had we been able to satisfy ourselves with respect to the opening balances, these financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2008 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

**Yellowknife, Canada
May 8, 2009**

mackay LLP
Chartered Accountants

Dehcho First Nations Master Trust

Statement of Revenue and Expenditures

For the year ended December 31, 2008

Revenues

| | | |
|------------------|----|---------|
| Dividend income | \$ | 100,068 |
| Foreign income | | 31,686 |
| Interest income | | 289,004 |
| Other income | | 190,481 |
| Secondary income | | 9,580 |

620,819

Expenditures

| | | |
|--|--|---------|
| Accounting | | 16,147 |
| Distribution income education | | 36,282 |
| Foreign taxes | | 4,340 |
| Investment management board expenses | | 34,378 |
| Investment management and trustee fees | | 130,933 |
| Legal | | 24,189 |
| Overdraft fees | | 12 |
| Professional fees | | 10,000 |

256,281

Excess of revenues over expenditures before other items 364,538

Other expenses (income)

| | | |
|-------------------------------|--|-----------|
| Loss on sale of investments | | 251,667 |
| Return of capital adjustments | | (10,791) |
| Unrealized losses | | 1,577,592 |

1,818,468

Deficiency of revenues over expenditures \$ (1,453,930)

Dehcho First Nations Master Trust

Statement of Changes in Net Assets

For the year ended December 31, 2008

| | Balance, beginning of year | Surplus (deficiency) of revenues over expenditures | Balance, end of year |
|------------------------------|----------------------------------|---|-------------------------|
| Master Trust | \$ 2,468 | \$ 8,279 | \$ 10,747 |
| Community Development Fund | 2,667,512 | (298,887) | 2,368,625 |
| Economic Development Fund | 2,676,644 | (243,827) | 2,432,817 |
| Elders' Heritage Fund | 779,852 | (287,139) | 492,713 |
| Education Fund | 1,714,252 | (112,526) | 1,601,726 |
| Immediate Opportunities Fund | 5,817,030 | (285,807) | 5,531,223 |
| Land Acquisition Fund | 1,519,108 | (234,023) | 1,285,085 |
| | \$ 15,176,866 | \$ (1,453,930) | \$ 13,722,936 |

Dehcho First Nations Master Trust

Statement of Financial Position

December 31, 2008

Assets

Current

Accrued interest and dividends receivable (note 5) \$ 47,484

Investments (note 6) 13,685,452

\$ 13,732,936

Liability

Current

Accounts payable and accrued liabilities \$ 10,000

Fund balances

Master Trust 10,747

Community Development Fund 2,368,625

Economic Development Fund 2,432,817

Elders' Heritage Fund 492,713

Education Fund 1,601,726

Immediate Opportunities Fund 5,531,223

Land Acquisition Fund 1,285,085

13,722,936

\$ 13,732,936

Approved by the Board:

_____ Trustee

_____ Trustee

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2008

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, Sambaa K'e Dene Band, TtheK'edeli 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. Implemented accounting policies

Effective January 1, 2008, the Trust adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments - Recognition and Measurement, Section 3251, Equity and Section 3861, Financial Instruments - Disclosure and Presentation. The Trust has evaluated the impact of these new standards and determined that no adjustments are currently required.

The CICA has amended Handbook Section 1400 "General Standards of Financial Presentation" effective for periods beginning on or after January 1, 2008 to include requirements to assess and disclose the Trust's ability to continue as a going concern. The adoption of this section did not have an impact on the Trust's financial statements.

In December 2006, the CICA issued Handbook section 1535 "Capital Disclosures" which is effective for years beginning on or after October 1, 2007. The section specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new Section relates to disclosures and does not have an impact on the Trust's financial results.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2008

3. Significant accounting policies

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

(a) 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.

(b) 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.

(c) Financial instruments

Effective October 1, 2006, the Trust adopted the new accounting standards issued by the Accounting Standards Board (AcSB): Handbook Section 1530, Comprehensive Income, Handbook Section 3855, Financial Instruments – Recognition and Measurement, Section 3251, Equity, and Section 3861, Financial Instruments – Disclosure and Presentation. The Trust has evaluated the impact of these new standards and determined that no adjustments are currently required.

Financial Instruments – Recognition and Measurement

Section 3855 requires that all financial assets and financial liabilities be measured at fair value on initial recognition except for certain related party transaction. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are subsequently measured at fair value and unrealized gains and losses are included in net income in the period in which they arise. The Trust has classified investments as held-for-trading.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are subsequently measured at fair value with unrealized gains and losses recorded in other comprehensive income until realized, at which time they will be recognized in net income. The Trust does not have any financial instruments classified as held to maturity.

Held to maturity assets are those non-derivative financial assets with fixed or determinable payments and fixed maturity that the company has an intention and ability to hold until maturity, excluding those assets that have been classified as held-for-trading, available-for-sale, or loans and receivables. They are subsequently measured at amortized cost using the effective interest method. The Trust does not have any financial instruments classified as held to maturity.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2008

3. Significant accounting policies (continued)

Financial instruments classified as loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. These assets do not include debt securities or assets classified as held-for-trading. They are subsequently measured at amortized cost using the effective interest method. The Trust has classified accounts receivables as loans and receivables.

All other financial liabilities that are not classified as held-for-trading are subsequently measured at cost or amortized cost.

Financial Instruments – Disclosure and Presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed.

(d) 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.

(e) 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, 2008

3. Significant accounting policies (continued)

(f) 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, 2008

4. Future changes to significant accounting policies

Effective January 1, 2008, the Trust implemented the new CICA Handbook Section 1506 "accounting changes". Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of change in accounting policies, estimates and error on the financial statements.

These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued that the company has not adopted because they are not yet in effect.

The impact the adoption of this Section will have on the Trust's financial statements will depend on the nature of future accounting changes.

Cash flow statement

In January 2009, the CICA revised Handbook Section 4400.46, which is effective for fiscal years beginning on or after January 1, 2009. The section specifies that a Cash Flow statement should be prepared in accordance with the CICA Handbook section on Cash Flow. This new Section relates to disclosures and will not have an impact on the Trust's financial results.

Allocation of expenses

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 are 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 will not have an impact on the Trust's financial results.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the Trust's financial statements has not yet been determined.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2008

5. Accrued interest and dividends receivable

| | | |
|------------------------------|----|--------|
| Community Development Fund | \$ | 8,460 |
| Economic development Fund | | 8,170 |
| Elder's Heritage Fund | | 2,314 |
| Education Fund | | 4,975 |
| Immediate Opportunities Fund | | 19,083 |
| Land Acquisition Fund | | 4,482 |
| | | <hr/> |
| | \$ | 47,484 |

6. Investments

| | Market | Cost |
|-------------------------------|---------------|---------------|
| Community Development Account | \$ 8,978 | \$ 8,868 |
| Economic Development Account | 69,927 | 69,076 |
| Elders Heritage Account | 8,065 | 7,967 |
| Business Ventures Account | 175,213 | 173,079 |
| Master Trust Account | 12,175 | 2,016 |
| Community Development Fund | 2,352,616 | 2,078,442 |
| Economic Development Fund | 2,356,148 | 2,132,452 |
| Elders Heritage Fund | 658,376 | 741,298 |
| Education Fund | 1,248,353 | 1,219,764 |
| Immediate Opportunities Fund | 5,513,569 | 4,662,642 |
| Land Acquisition Fund | 1,282,032 | 1,268,851 |
| | <hr/> | <hr/> |
| | \$ 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, 2008

7. 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:

| | 2008 |
|--------------|------------------------|
| Revenues | \$ 620,819 |
| Expenditures | (256,281) |
| | <hr/> \$ 364,538 <hr/> |

8. 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.

9. Comparative amounts

The prior year comparative amounts are not audited, and not included in the accompanying financial statements.

10. Subsequent events

Subsequent to the year end, the securities market has been volatile due to the economic downturn, the return from the investments has been affected significantly as a result.

Dehcho First Nations Master Trust

Notes to the Financial Statements

December 31, 2008

11. 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, 2008:

| | Remaining term to maturity | | | | |
|--------------------------|----------------------------|-----------|------------|-------------|-----------|
| | Within 1 yr | 1 - 5 yrs | 5 - 10 yrs | Over 10 yrs | 2008 |
| Fixed income (bonds) | - | 1,145,205 | 1,587,805 | 310,153 | 3,043,163 |
| Average effective yields | - % | 1.876 % | 3.548 % | 6.771 % | 3.247 % |

Dehcho First Nations Master Trust

Schedule of Trust Fund Revenue and Expenditures

For the year ended December 31, 2008

| | Master Trust | Community Development Fund | Economic Development Fund | Education Fund | Elders Heritage Fund | Immediate Opportunities Fund | Land Acquisition Fund | Total |
|---|-----------------|----------------------------|---------------------------|---------------------|----------------------|------------------------------|-----------------------|-----------------------|
| Revenues | | | | | | | | |
| Dividend Income | \$ - | \$ 19,381 | \$ 15,476 | \$ 11,760 | \$ 6,988 | \$ 32,639 | \$ 13,824 | \$ 100,068 |
| Foreign Income | - | 5,339 | 5,786 | 4,849 | 2,023 | 10,327 | 3,362 | 31,686 |
| Interest Income | 37 | 48,603 | 51,661 | 24,443 | 13,182 | 128,521 | 22,557 | 289,004 |
| Other Income | 87 | 30,644 | 34,149 | 16,971 | 11,981 | 78,479 | 18,170 | 190,481 |
| Secondary Income | 9,580 | - | - | - | - | - | - | 9,580 |
| Total | 9,704 | 103,967 | 107,072 | 58,023 | 34,174 | 249,966 | 57,913 | 620,819 |
| Expenditures | | | | | | | | |
| Bookkeeping | - | 2,826 | 2,826 | 1,615 | 807 | 6,458 | 1,615 | 16,147 |
| Distribution income education | - | - | - | 36,282 | - | - | - | 36,282 |
| Foreign Taxes | - | 678 | 580 | 922 | 227 | 1,581 | 352 | 4,340 |
| IMB Expenses | - | 7,078 | 7,078 | - | - | 15,179 | 5,043 | 34,378 |
| Investment management and trustee Fees | 2 | 23,985 | 22,380 | 14,548 | 8,220 | 44,520 | 17,278 | 130,933 |
| Legal fees | - | 4,981 | 4,981 | - | - | 11,383 | 2,844 | 24,189 |
| Overdraft fees | - | 2 | 2 | 2 | - | 6 | - | 12 |
| Professional fees | 1,428 | 1,428 | 1,429 | 1,429 | 1,428 | 1,429 | 1,429 | 10,000 |
| Total | 1,430 | 40,978 | 39,276 | 54,798 | 10,682 | 80,556 | 28,561 | 256,281 |
| Excess (deficiency) of revenues over expenditures before other items | 8,274 | 62,989 | 67,796 | 3,225 | 23,492 | 169,410 | 29,352 | 364,538 |
| Losses on sale of investments | - | (35,859) | (49,422) | (27,438) | (27,453) | (73,787) | (37,698) | (251,667) |
| Unrealized gains (losses) | 5 | (328,317) | (264,111) | (89,906) | (284,415) | (384,065) | (226,783) | (1,577,592) |
| Return of capital adjustments | - | 2,310 | 1,910 | 1,593 | 1,237 | 2,635 | 1,106 | 10,791 |
| Excess (deficiency) of revenues over expenditures | \$ 8,279 | \$ (298,887) | \$ (243,827) | \$ (112,526) | \$ (287,139) | \$ (285,807) | \$ (234,023) | \$ (1,453,930) |