

GWAII FOREST CHARITABLE TRUST

Financial Statements

As at March 31, 2008

(Unaudited)

McAlpine
& Co. ^{CA}
CHARTERED ACCOUNTANTS

REVIEW ENGAGEMENT REPORT

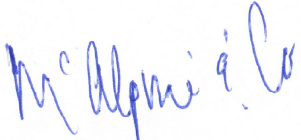
To the Trustees of the Gwaii Forest Charitable Trust

We have reviewed the statement of financial position of Gwaii Forest Charitable Trust as at March 31, 2008 and the statements of revenues and expenditures, changes in net assets and cash flow for the quarter then ended. Our review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to us by the .

A review does not constitute an audit and consequently we do not express an audit opinion on these financial statements.

Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not, in all material respects, in accordance with Canadian generally accepted accounting principles.

Terrace, B.C.
May 6, 2008


CHARTERED ACCOUNTANTS

GWAII FOREST CHARITABLE TRUST

Statement of Financial Position

As at March 31, 2008

(Unaudited)

	2008 <i>March 31</i>	2007 <i>December 31</i>
Assets		
Current		
Cash	\$ 14,744	\$ 50,241
Investment income receivable	93,890	63,242
	108,634	113,483
Long term investments <i>(Notes 2, 3)</i>	24,851,695	25,086,234
	\$ 24,960,329	\$ 25,199,717
Liabilities		
Current		
Accounts payable	\$ 227,139	\$ 109,413
Net Assets		
		-
Grant fund <i>(Note 5)</i>	24,554,160	24,432,000
Unrestricted	179,030	658,304
	24,733,190	25,090,304
	\$ 24,960,329	\$ 25,199,717

On behalf of the Board

_____ Trustee

_____ Trustee

_____ Trustee

See notes to financial statements

GWAII FOREST CHARITABLE TRUST
Statement of Revenues and Expenditures
Three Month Period Ended March 31, 2008
(Unaudited)

	2008 <i>(3 months)</i>	2007 <i>(9 months)</i>
Income		
Investment income <i>(Note 4)</i>	\$ 565,589	\$ 2,101,639
Investment management expenses		
Actuary	10,963	2,432
Custodial fees	6,525	14,539
Investment management	23,936	60,449
	41,424	77,420
Net investment earnings	524,165	2,024,219
Expenses		
Accounting and audit fees	898	8,313
Bank charges	38	28
Communication	580	
Legal fees	17,069	2,500
Trust protector fees		35,721
	18,585	46,562
Excess of income over expenses from operations	505,580	1,977,657
Grant inflation protection	122,160	432,000
Surplus available for Gwaii Forest Society activities	383,420	1,545,657
Transfers to Gwaii Forest Society	100,000	100,000
Net surplus for the period	283,420	1,445,657
Unrealized gains (losses) on long term investments	(762,694)	(787,353)
Comprehensive surplus (deficit) for the period	\$ (479,274)	\$ 658,304

GWAII FOREST CHARITABLE TRUST
Statement of Changes in Net Assets
Three Month Period Ended March 31, 2008
(Unaudited)

	Unrestricted	Grant Fund	2008	2007
Balance - beginning of year	\$ 658,304	\$ 24,432,000	\$ 25,090,304	\$ -
Initial fund investment - as previously stated	-	-	-	25,461,418
Prior period adjustment - <i>Note 7</i>	-	-	-	(1,461,418)
As restated	-	-	-	24,000,000
Comprehensive surplus (deficit) - as previously stated	-	-	-	(829,420)
Prior period adjustment - <i>Note 7</i>	-	-	-	1,487,724
Comprehensive surplus (deficit) - as restated	(479,274)	-	(479,274)	658,304
Grant inflation protection - as previously stated	-	-	-	458,306
Prior period adjustment - <i>Note 7</i>	-	-	-	(26,306)
Grant inflation protection - as restated	-	122,160	122,160	432,000
Balance - end of year	\$ 179,030	\$ 24,554,160	\$ 24,733,190	\$ 25,090,304

GWAII FOREST CHARITABLE TRUST
Statement of Cash Flow
Three Month Period Ended March 31, 2008
(Unaudited)

	2008 <i>(3 months)</i>	2007 <i>(9 months)</i>
Operating activities		
Net income (loss)	\$ (479,274)	\$ 658,304
Item not affecting cash:		
Grant inflation protection	122,160	432,000
	(357,114)	1,090,304
Changes in non-cash working capital:		
Investment income receivable	(30,648)	(63,242)
Accounts payable	117,726	109,413
	87,078	46,171
Cash flow from (used by) operating activities	(270,036)	1,136,475
Investing activity		
Net change in investments	234,539	(25,086,234)
Financing activity		
Grant endowment		24,000,000
Increase (decrease) in cash	(35,497)	50,241
Cash - beginning of period	50,241	
Cash - end of period	\$ 14,744	\$ 50,241

GWAII FOREST CHARITABLE TRUST
Notes to Financial Statements
Three Month Period Ended March 31, 2008
(Unaudited)

1. Purpose of the organization

The Gwaii Forest Charitable Trust was settled on March 29, 2007 under the terms of the Deed of Trust. The Trust was established to provide a vehicle for the repatriation of the funds contributed under the South Moresby Agreement by the Province of British Columbia and the Government of Canada to Haida Gwaii. The funds endowed by the Federal and Provincial governments are for the purpose of increasing the sustainable forest management on Haida Gwaii and to increase community stability through enhancing the forest related economy of Haida Gwaii.

The Charitable Trust is a non-profit organization under the Income Tax Act and accordingly is exempt from income taxes.

2. Summary of significant accounting policies

Basis of accounting

The Gwaii Forest Charitable Trust follows the deferral method of accounting for contributions. The financial statements have been prepared in accordance with the recommendations for not-for-profit organizations found in Section 4400 of the CICA handbook.

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Investments

Marketable securities are classified as held for trading and carried at market value in accordance with Section 3855 of the CICA handbook.

3. Investments

	2008		2007	
	Cost	Market	Cost	Market
Cash	\$ 42,680	\$ 42,680	\$ 23,056	\$ 23,056
Treasury bills and short term investments	323,779	323,779	174,611	174,611
Federal and Provincial Government bonds	7,557,906	7,869,465	7,837,302	7,942,388
Corporate bonds	6,660,636	6,595,624	6,366,984	6,319,756
Mortgages	1,684,593	1,705,398	1,665,257	1,668,484
Equities	3,444,427	2,985,841	3,411,234	3,169,970
International equities	6,686,850	5,328,908	6,395,144	5,787,970
	\$ 26,400,871	\$ 24,851,695	\$ 25,873,588	\$ 25,086,235

GWAII FOREST CHARITABLE TRUST
Notes to Financial Statements
Three Month Period Ended March 31, 2008
(Unaudited)

4. Investment income

	2008	2007
Interest income	\$ 241,968	\$ 1,923,425
Dividend income	32,049	75,238
Other investment income	291,706	119,277
Realized gain (loss) on sale of investments	(134)	(16,301)
	\$ 565,589	\$ 2,101,639

5. Restricted net assets

The Gwaii Trust Charitable Trust Investment Fund represents the initial endowment of \$24,000,000 received from the Governments of Canada and British Columbia. The Fund is adjusted annually by the inflation rate for the year to protect the value of the original grant for future generations. The fund has been established as a perpetual investment fund and, as such, the original endowment with the accumulated inflation adjustments can never be touched, allocated or expended.

The annual inflation adjustment is based on the Canadian Consumer Price Index (CPI). The change for the quarter ended March 31, 2008 has been estimated at 2.0%.

6. Financial instruments

The Charitable Trust's financial instruments consist of cash and cash equivalents, accounts receivable, investments in marketable securities accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Charitable Trust's is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

7. Prior period adjustment

During the prior year the entire amount of \$25,461,418 received from the Governments of Canada and British Columbia upon the settlement of the Gwaii Forest Charitable Trust was record as the core grant of the Trust. In actuality, these funds represented the core grant of \$24,000,000 plus interest earned on these funds of \$1,461,418. The accounting records of the prior year have been adjusted to reflect these amounts.

The amount of \$1,461,418 has been included in the investment income for the year ended December 31, 2007 and the inflation adjustment referred to in Note 5 above has been amended to reflect the actual core grant of \$24,000,000.

	2007
Grant income earned prior to transfer	\$ 1,461,418
Reduction in grant inflation protection amount	26,306
Net change in prior year unrestricted surplus	\$ 1,487,724