

Financial Statements of

**MALACHITE AGGRESSIVE
PREFERRED FUND**

Year ended December 31, 2008



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AUDITORS' REPORT

To the Unitholders of Malachite Aggressive Preferred Fund (the "Fund")

We have audited the statements of net assets and investment portfolio of the Fund as at December 31, 2008 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's manager. 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 the Manager 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 Fund and its investments held as at December 31, 2008 and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

February 22, 2009

MALACHITE AGGRESSIVE PREFERRED FUND

Statement of Net Assets

December 31, 2008, with comparatives for 2007

	2008	2007
Net Assets		
Investments, at market value	\$ 796,698	\$ 747,278
Due from brokers	159,065	89,597
Cash	34,328	24,454
Accrued income receivable	6,221	2,649
	<u>\$ 996,312</u>	<u>\$ 863,978</u>
Accounts payable and accrued liabilities	\$ 25,559	\$ 12,479
Due to brokers	194,949	62,974
	<u>220,508</u>	<u>75,453</u>
Total net assets and unitholders' equity	<u>\$ 775,804</u>	<u>\$ 788,525</u>
Unitholders' Equity		
Units issued and outstanding (note 3)	\$ 769,006	\$ 784,700
Unrealized appreciation in value of investments	6,798	3,825
	<u>\$ 775,804</u>	<u>\$ 788,525</u>
Net asset value per unit	\$ 8.0464	\$ 9.0070

See accompanying notes to financial statements.

On behalf of the Trustee:

Hymas Investment Management Inc.

MALACHITE AGGRESSIVE PREFERRED FUND

Statement of Operations

For the year ended December 31, 2008, with comparatives for 2007

	2008	2007
Investment income:		
Dividends	\$ 64,317	\$ 38,608
Expenses:		
Audit fees	6,350	6,210
Interest	1,082	1,003
Other	128	62
	<u>7,560</u>	<u>7,275</u>
Amounts that would otherwise have been payable by the Investment fund that were paid or absorbed by the Manager	<u>(2,232)</u>	<u>(3,079)</u>
	<u>5,328</u>	<u>4,196</u>
Net investment income for the year	58,989	34,412
Net realized losses	(58,725)	(21,097)
Net change in unrealized gains	2,973	1,145
Transaction costs	(45,617)	(23,625)
	<u>(101,369)</u>	<u>(43,577)</u>
Net decrease in net assets	\$ (42,380)	\$ (9,165)
Decrease in net assets from operations per unit (based on weighted average number of units outstanding during the year)	\$ (0.4074)	\$ (0.1323)

See accompanying notes to financial statements.

MALACHITE AGGRESSIVE PREFERRED FUND

Statement of Changes in Net Assets

For the year ended December 31, 2008, with comparatives for 2007

	2008	2007
Net assets at the beginning of the year	\$ 788,525	\$ 496,202
Decrease in net assets from operations	(42,380)	(9,165)
Capital transactions:		
Distributions to unitholders - net investment income	(58,989)	(34,410)
Units issued for cash	250,000	310,000
Units issued on reinvestment of distributions	32,552	27,917
Units redeemed	(193,904)	(2,019)
Net assets at end of the year	\$ 775,804	\$ 788,525

See accompanying notes to financial statements.

MALACHITE AGGRESSIVE PREFERRED FUND

Statement of Investment Portfolio

December 31, 2008

Shares	Security	Average cost	Market value	Weight in portfolio
200	Canadian General Investments Ltd. 4.65% Preferred Shares, Series 2	\$ 5,131	\$ 4,420	0.6%
8,400	BAM Split Corp. Preferred Shares	120,922	73,500	9.2%
10,000	World Financial Split Preferred Shares	80,319	89,900	11.3%
100	Canada Life Financial Corporation 6.25% Preferred Shares, Series B	2,780	2,075	0.3%
400	Canadian Life Companies 5.25% Preferred Shares	2,469	3,620	0.5%
1,500	Prime Rate Plus Corporation Preferred Shares	12,045	12,525	1.6%
5,300	HSBC Cl.1 Preferred Shares, Series D	91,992	87,768	11.0%
300	Sunlife Financial 4.75% Cl.A Preferred Shares, Series 1	4,061	4,938	0.6%
1,100	Great West Life 4.5% Preferred Shares, Series 1	17,333	17,123	2.1%
9,000	Financial 15 Split Corp. 5.25% Cum. Preferred Shares	62,510	73,440	9.2%
5,400	BCE 4.65% First Preferred Shares, Series A1	70,491	72,900	9.2%
6,600	Bank of Montreal Preferred Shares, Series 14	117,215	127,494	16.0%
400	Life and Bane Split Corp. Preferred Shares	4,259	3,180	0.4%
3,400	CIBC Preferred Shares, Series 18	55,200	62,594	7.9%
2,600	CIBC Preferred Shares, Series 26	44,531	50,076	6.3%
4,800	CIBC Preferred Shares, Series 27	79,117	90,960	11.3%
1,100	CIBC Preferred Shares, Series 29	19,525	20,185	2.5%
		\$ 789,900	\$ 796,698	100.0%

See accompanying notes to financial statements.

MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements

For the year ended December 31, 2008

Malachite Aggressive Preferred Fund is an unincorporated open-ended mutual fund trust established under the laws of the Province of Ontario by a Master Declaration of Trust (for the Malachite Funds in general) and an associated Fund Regulation (for the Fund itself). Hymas Investment Management Inc. is the Trustee and Manager of the fund.

1. Summary of significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

The Canadian Securities Administrators issued the National Instrument 81-106, Investment Fund Disclosure (the "Instrument"), which became effective for investment funds with a fiscal year ended on or after June 1, 2005. The Instrument establishes standardized continuous disclosure requirements for investment funds' financial statements and introduces the requirement of management reports of fund performance to be made available to all Unitholders. The Instrument impacts the disclosure of the investment fund and, accordingly, has no impact on the valuation of the fund or on calculation of the net asset value per security of the fund. The following is a summary of significant accounting policies followed by the Fund in the preparation of these financial statements.

(b) Investments:

The value of any security which is listed or dealt in upon a stock exchange shall be determined (a) at the closing bid price; or (b) if no bid or asked quotation is available, at the price last determined for such security for the purpose of calculating the Net Asset Value of the Fund, provided that, if in the opinion of the Trustee, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of securities necessary to effect any redemptions of Units, the Trustee may place such value upon such securities as appears to the Trustee to most closely reflect the fair value of the securities.

(c) Investment transactions and Income:

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis. The difference between market value and average cost, as recorded in the financial statements, is included in the Statement of Operations as part of unrealized gains (losses). Dividend income is recognized on the ex-dividend date.

MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements (continued)

For the year ended December 31, 2008

1. Summary of significant accounting policies (continued):

(d) Transactions costs:

In accordance with Section 3855, portfolio transaction costs are expensed and are included in "Transaction costs" in the statements of operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges. The statement of investments includes only those transaction costs incurred on the acquisition on portfolio investments.

(e) Income taxes:

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) and has been registered with the Canada Revenue Agency ("CRA") as a Registered Investment. All or substantially all of the net income for tax purposes and net taxable capital gains realized in any year are distributed to Unitholders such that no income tax is payable by the Fund.

(f) Use of estimates:

The preparation of financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Net Asset Value per Unit:

Net asset value per unit is computed by dividing the net asset value of the Fund at the valuation date by the total number of units of the Fund outstanding.

(h) Increase in Net Assets from Operations per Unit:

The increase in net assets from operations per unit in the statement of operations represents the change in net assets from operations divided by the average number of units outstanding during the period.

MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements (continued)

For the year ended December 31, 2008

1. Summary of significant accounting policies (continued):

(i) Financial instruments:

In accordance with the Accounting Standards Board's ("ASB") decision to exempt non-publicly accountable entities from the measurement and disclosure requirements with respect to financial instruments contained in The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, Section 3862, Financial Instruments - Disclosures, Section 3863, Financial Instruments - Presentation, and Section 1530, Comprehensive Income, the Company has elected not to adopt these standards in its financial statements.

2. Unitholders' equity:

	Units	Value
Outstanding at December 31, 2006	51,573.5736	\$ 493,523
Issued during the year	36,026.9596	303,507
Redeemed during the year	(54.439)	(2,019)
Distributions in excess of income	—	(10,311)
Outstanding at December 31, 2007	87,546.0942	\$ 784,700
Issued during the year	32,025.2941	282,552
Redeemed during the year	(23,155.4132)	(193,904)
Distributions in excess of income	—	(104,342)
Outstanding at December 31, 2008	96,415.9751	\$ 769,006

MALACHITE AGGRESSIVE PREFERRED FUND

Notes to Financial Statements (continued)

For the year ended December 31, 2008

3. Management fees:

Management fees are payable by the unitholders directly to the Manager and accordingly, are not reflected in these financial statements.

4. Fair value of financial assets and financial liabilities:

The fair value of financial assets and liabilities, other than investments, approximate their carrying costs due to the short term to maturity of the instruments.

5. Income tax status:

The Fund has net realized capital losses of \$149,064 available for utilization against net realized gains for tax purposes. Capital losses have no expiry date.

6. Filing exemption:

The Fund will not be filing its financial statements with the Ontario Securities Commission or any other Canadian securities regulatory authority, in reliance upon the exemption in this regard provided by Section 2.11 of National Instrument 81-106.