2004

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BALANCING THE NEED FOR INCOME WITH THE NEED TO GROW THE CAPITAL TO OFFSET INFLATION

KITKANIIN-AHUALUGIT PIYUMAYAIT KINAUYALIUGUTAINIT PIYUMAYAINUT ANGILILUGIT TUTKUKHIMAYUT IHUAKH-AGUTIGILUGITAKIIT KAAGANIT

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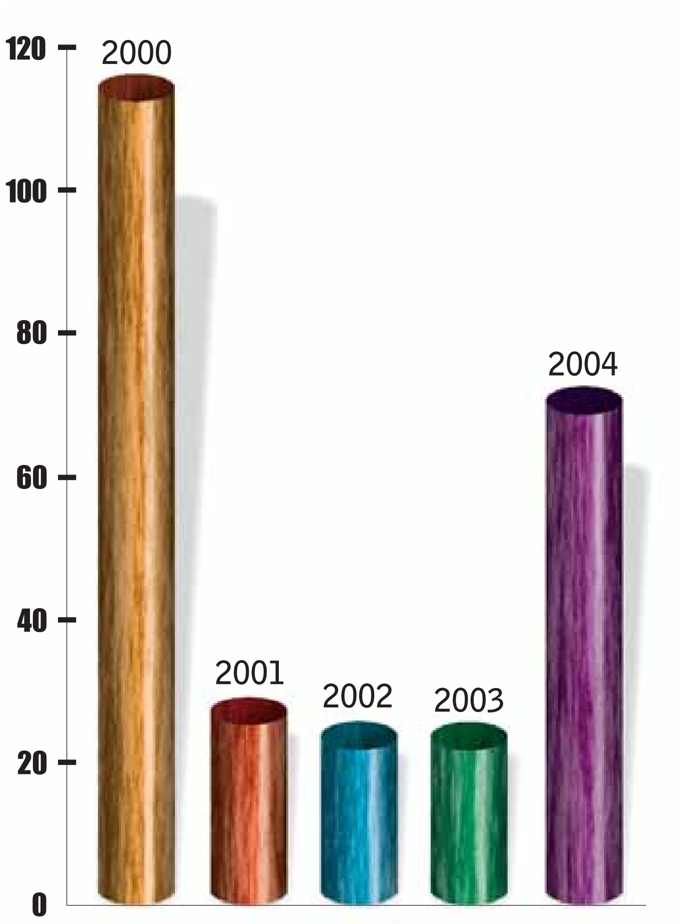
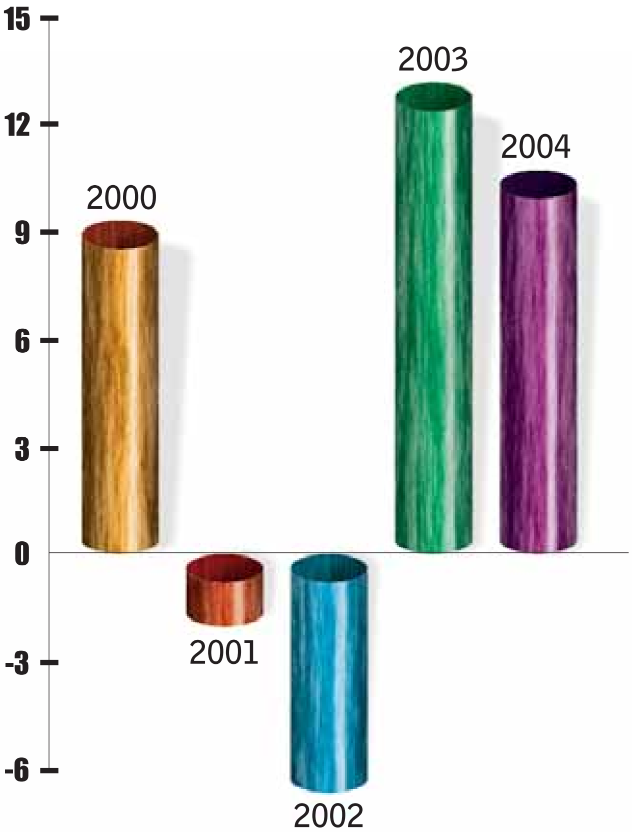
INVESTMENT
INCOME
(in millions of dollars)

$72,403,822



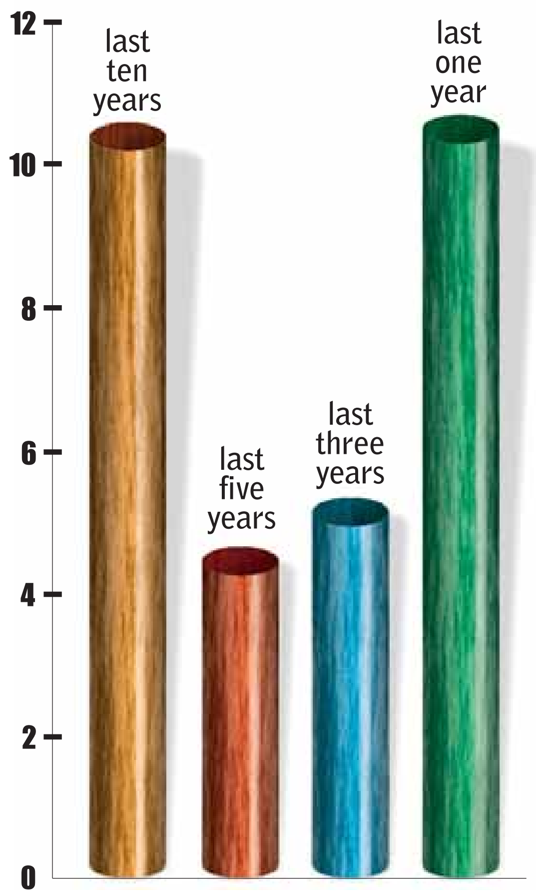
ANNUAL INVESTMENT PERFORMANCE
(%)

10.70%



CUMULATIVE RETURN
(%)

10.70%

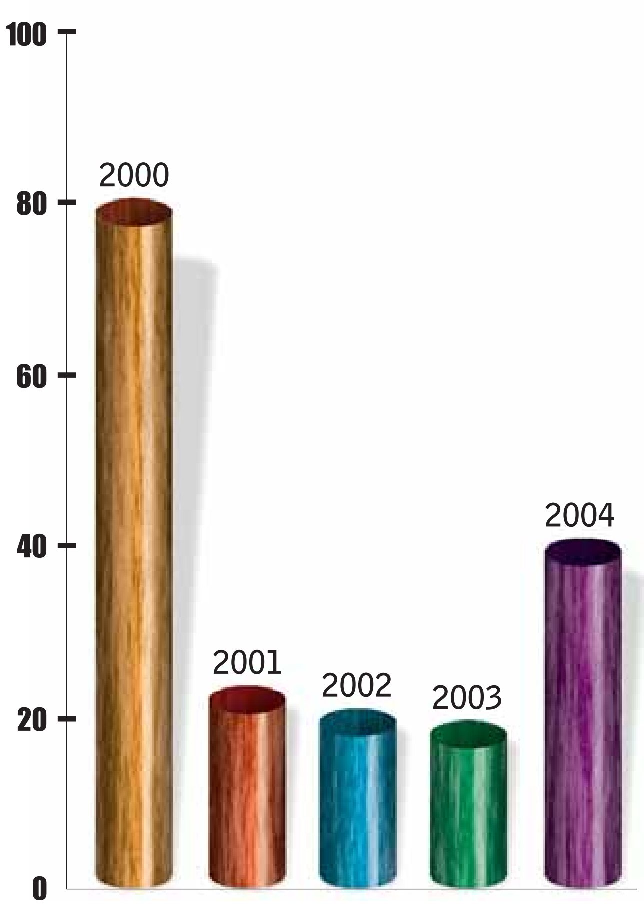


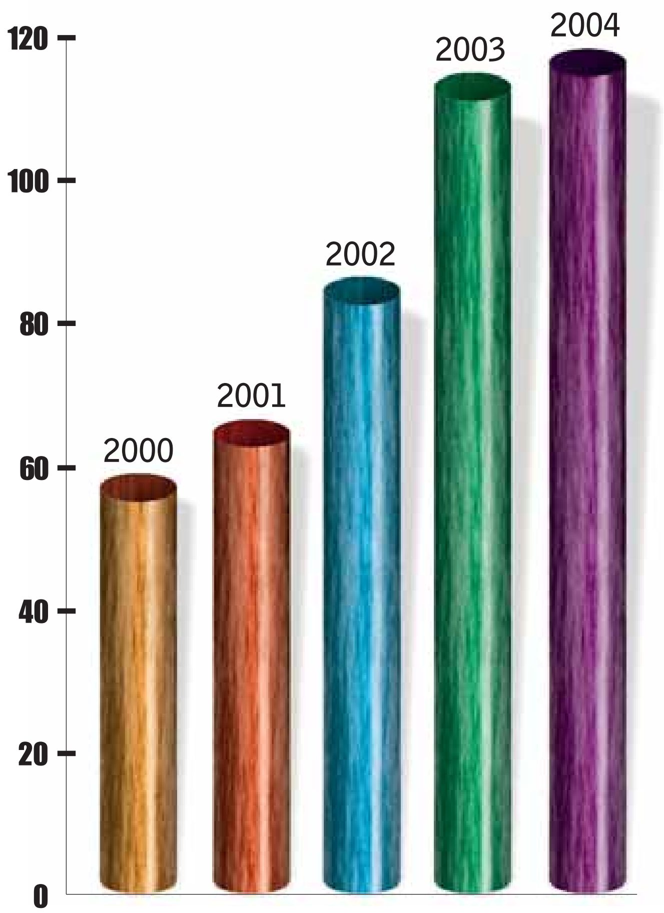
DISTRIBUTION
TO BENEFICIARIES
(in millions of dollars)

$41,156,156

CAPITAL LOANS
TO BENEFICIARIES
(in millions of dollars)

$119,046,276

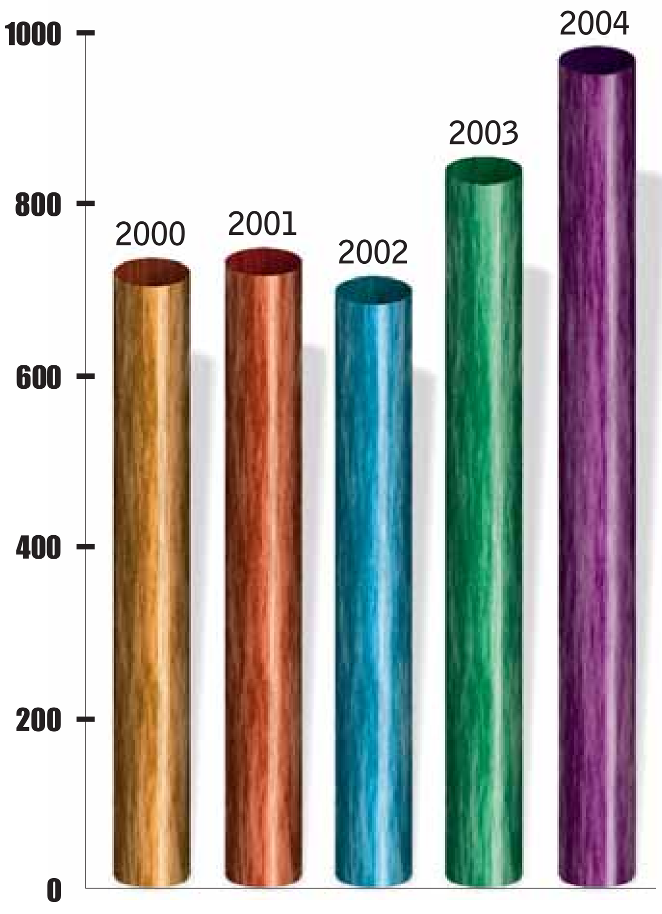




INVESTED ASSETS
AND ACCRUED INCOME

(at market, in millions of dollars)

$989,511,955



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MESSAGE FROM THE TRUSTEES

The year 2004 was a relatively good year for the Trust. Although market conditions continue to be quite challenging, the Trust produced an investment return of 10.6% while the median fund returned only 9.3%. This relatively strong performance places Nunavut Trust in the top 1/3 of all the funds measured by the RBC GS Endowment and Foundation universe. The annualized 5-year average rate of return was 4.6%. Looking to a longer 10-year period, our investment return was 10.6% while the average investment fund produced a return of 9.8%, in the same time period. This is the sort of performance we might expect since our investment strategy has been to take on more risk to enhance returns over the long term. The cost of this approach is that in periods of market weakness we will under-perform our peers but over the long haul we should outperform and our 10-year record shows this has in fact occurred.

This year, Nunavut Trust distributed $41.1 million to beneficiary organizations, a significant increase over the $19.7 million distributed in 2003. Nevertheless, during 2004 beneficiary organizations received $44.5 million in funding so the outstanding loan balance due to Nunavut Trust increased to $119.0 million up from $115.7 million last year. The market value of the assets increased to $988.6 million, a significant increase from last year's valuation of $860.7 million.

Nunavut Trust is entering a new phase in it's lifecycle. Our scheduled payments from the Government of Canada will decline until the last payment is received in May 2007. In 2002, beneficiary organizations developed a strategic financial plan that would provide beneficiary organizations with the highest possible level of funding while still allowing the

trustees to have a reasonable chance to meet the following requirements as set out in the Nunavut Trust Deed.

The Nunavut Trust Deed requires that the Trustees:

- invest as a prudent person would,
- attempt to generate income that is to be paid out to beneficiary organizations to be used to offer programs to beneficiaries, and
- grow the asset base year by year so that the income produced by our investments will grow and offset the effects of inflation.

While these represent challenging goals, the Trustees have had in place the policies, measurement tools and procedures for monitoring our progress against each of these objectives for many years.
As we look ahead the trustees will face the same problem that is faced by every endowment or foundation, worldwide. Trustees must provide beneficiary organizations with a steady annual cash flow that increases to offset inflation to fund beneficiary organizations while the investment income earned by the Trust depends completely upon the variable returns that can be generated from the investment marketplace. History shows us that investment market returns are subject to cycles that may include periods of very high returns followed by periods when returns may be very low or even negative. Since there are many endowments and foundations that have been funding on-going operations for many years, (some have been in existence for over 100 years), they have developed a successful funding formula.

Conceptually, the funding level is established in three steps. The first step is to estimate the long-term average level of investment return. Usually this is determined by measuring historical returns over long periods that include many market cycles. The next step is to reduce the

long-term nominal return by the long-term rate of inflation to determine the long-term real rate of return. The final step is to use the long-term real rate of return and an average market value of the assets under management to determine the annual distribution of cash to beneficiary organizations. Many organizations determine the average market value of the assets by averaging the market values of the assets under administration for the 20 most recent quarterly periods. Some think 20 periods is too short since market cycles tend to be 7 years (28 quarters). This process will produce a level of funding that is relatively stable regardless of the short-term changes in market value of the portfolio and that will increase over time as the asset base grows. As a result, the beneficiary organizations can count on receiving a relatively stable and growing level of funding.

On the Trust side of the equation, our investment activities will continue to produce a fluctuating income stream that will be dependent upon the short-term returns provided by the investment marketplace. The fluctuating income stream will mean that the income for tax purposes will also fluctuate and since all the income for tax purposes is distributed, the distribution stream can also be expected to fluctuate. As a result, in some years when the distribution is less than the funding calculation, the beneficiary organizations will increase their outstanding loan balance. In years when the income for tax purposes is greater than the funding calculation, the excess will be used to pay down the outstanding debt.

Although this concept was used in 2002 to develop the beneficiary organization's Strategic Financial

Plan, 2006 will be the first year this approach will be put into effect. By mid-September 2005 and each year thereafter, the Trustees will carry out the calculation using the most current quarterly market valuations. Initially, we will use a 4-quarter averaging period that will be expanded year by year until we are averaging over 20 quarters a five-year phase-in period that will be complete in 2009.

In closing, we want to assure the individual beneficiaries of the Nunavut Land Claims Agreement that we will establish the annual funding for beneficiary organizations at a level that is compatible with the income we expect to be able to generate over the long term. We will monitor the annual funding level and the annual distributions to beneficiary organizations to manage the long-term relationship between these two variables. In this way we should be able to preserve the capital of the Trust for our children, our children's children, while providing a reasonable level of annual funding to beneficiary organizations.

WE MUST NOT JEOPARDIZE THE FUTURE BENEFITS THE NUNAVUT TRUST PORTFOLIO CAN PROVIDE


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THE FUND

At December 31, 2004, the market value of the Nunavut Trust portfolio was $989.5 million, an increase of $129.1million above the market value at December 31, 2003. Continuing the trend seen in 2003, markets experienced wild swings during the year, but by year-end we found we had experienced a reasonably good year. Once again, the Canadian Dollar showed strength relative to the US Dollar that moderated the investment returns earned by Canadian investors. In Nunavut Trust's case, the strong Canadian Dollar reduced our investment returns by $4.3 million.

The market value reserve graph shown below tries to show how much of a market reserve exists at any point in time to absorb the effects of short term investment return shortfalls or spending increases that if sustained could force the trust off track. By the end of 2004, cumulative conditions which resulted in a deficit at the end of 2003 had extinguished that deficit, leaving a small $27.1 million surplus.

Capital loans to Beneficiaries continued to climb to reach a new high at $119.0 million at the end of 2004. While the amount grew by $3.3 million, 2004 was the smallest net-borrowing year we have experienced since the fund commenced operations in 1993. It would be nice to have more years like 1999 and 2001 when repayments of a portion of the outstanding debt took place.

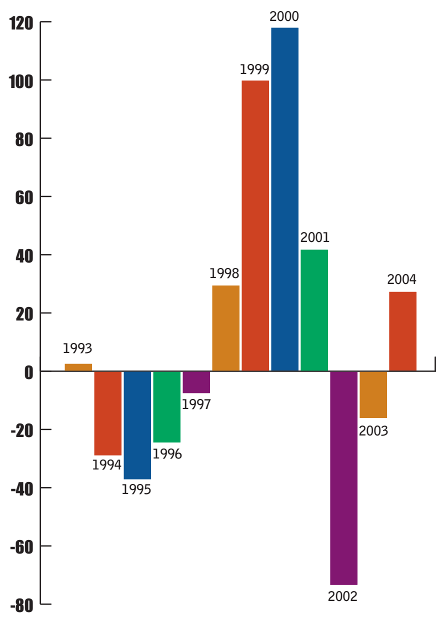
As we look to the future and the end of the funding stream from the federal government we have to ensure that the capital loan value stops its climb to an unmanageable level.

As long as outstanding loan balances exist, it means the Trust will not have that amount of money to invest. We can calculate the additional amount of income that the Trust could have earned if the debt did not exist. This is called the opportunity cost and it amounted to $12.5 million for 2004. We calculate this amount by multiplying the average outstanding loan balance for the year by the actual investment return achieved to determine the opportunity cost. The loss of income from 1993-2004 because of the existence of outstanding beneficiary loans totaled almost $94.8 million – almost as much as the outstanding loan balance. This shows that if beneficiary organizations had delayed the implementation of some activities, they could have provided almost the same benefit package and had no outstanding debt. As we think of this statement we wish to remind beneficiaries that in the world of compound returns, what we do now has lasting, long term implications which can not be undone.

MARKET VALUE RESERVE

(in millions of dollars)

$ 27,143,712



In 2004, the federal government budget reduced the disbursement quota that applies to public and private foundations from 4.5% to 3.5%. This rate was set based on a formula used by the Department of Finance that used the long-term real rate of return minus 20% attributable to administrative costs. At Nunavut Trust, we have set our long-term real rate of return goal at a higher rate of 4%. We hope to achieve the higher rate of return by combining a more aggressive asset mix, a careful selection of our investment managers and a policy of low operating costs. Since beneficiary organizations need a steady cash flow that will grow with inflation, the trustees will provide a total annual cash flow of 4% of an average market value of the Trust assets to beneficiary organizations. The rate will be reviewed periodically to ensure that it continues to be representative of long-term real rates of return and if necessary it will be adjusted. Since markets move in cycles, in some years, the returns achieved may be lower than the amount paid out. In these years, the difference will increase the outstanding loan balance due to the trust from beneficiary organizations. In other years, the returns achieved will be above the amount paid out and the excess will be used to repay outstanding beneficiary organization loans.

Income Distribution to Beneficiary Organizations

For fiscal 2004, the Excess of Revenue over Expenditures was $62.1 million a significant increase from the previous year. Although the market value of the portfolio grew at a higher rate, the market gains are not recognized as income until the investment managers sell their holdings and realize the gains.

On an annual basis, Nunavut Trust must distribute all of its net taxable income to beneficiary organizations. For 2004, the income distribution was $41.1 million. Between 1993 and 2004, Nunavut Trust has distributed a total of $324.5 million to beneficiary organizations. Although the calculation of the net taxable income is complex, a rough estimate can be determined by taking the net income reported on the Statement of Revenue and Expenditures and subtracting 1/2 the reported gains on the sale of investments. When Excess of Revenue over Expenditures is greater than the Net Income for Tax Purposes, the difference is retained in the Trust to generate more income and offset the effect of inflation that would otherwise erode the buying power of the Trust capital.

Cash Distributions to Beneficiary Organizations

For several years, the Trustees have been advising beneficiary organizations that we are approaching a new era when there will no longer be any payments received from the Government of Canada. In fact, 2005 will be the first year that the payment from the Government of Canada will decline from $89.7 million to $71.7 million. These payments will also decrease in 2006 and 2007 and after that there will be no more payments from the Government of Canada. When that occurs the trust will be essentially a closed endowment.

Beneficiary organizations need to receive a steady annual cash flow that grows year by year at the rate of inflation or more. Unfortunately, investment markets produce varying rates of return that can be positive in most years but negative in others. As a result, a mismatch exists between the revenue and the disbursement streams. In order to receive a steady, growing annual distribution, beneficiary organizations will need to borrow capital from the Trust in some years and repay the borrowings in years when the income distribution is in excess of calculated distribution levels. This is a very common situation faced by virtually all

charities, foundations and endowments. Many endowments that have been in existence for more than 100 years have developed policies that have allowed them to successfully provide a steady and growing stream of cash to their beneficiaries. Governments have also been involved in setting minimum levels for the distribution of cash to beneficiary organizations.

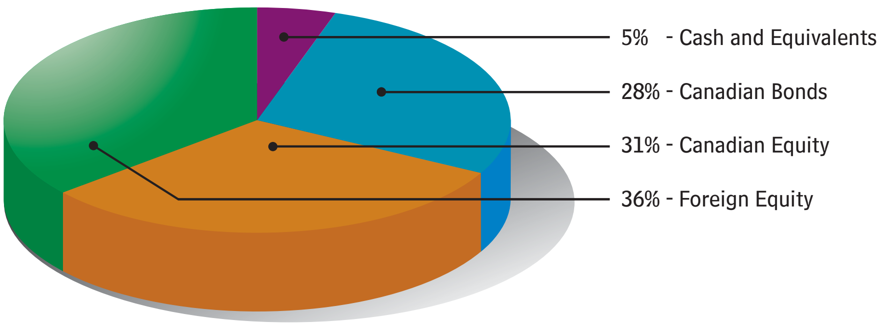
In Canada, the minimum disbursement policy was revised in the 2004 federal budget to be set at 3.5% (or less under certain circumstances). The Trustees hope to be able to do better than this and have been advising beneficiary organizations that they plan to implement a new approach and provide funding at the level of 4% of the 20 quarter, average market value of Trust assets. This concept, which was introduced in the 2002 Strategic Financial Plan developed jointly by the Executive of the beneficiary organizations and the Trustees, will be phased in and be fully operational by the end of 2007. One of the benefits of the new approach will be that beneficiary organizations will know prior to setting their operating plans for the next year how much cash flow they can count on from Nunavut Trust and can then plan their priorities accordingly.

Investment Philosophy, Policy and Criteria

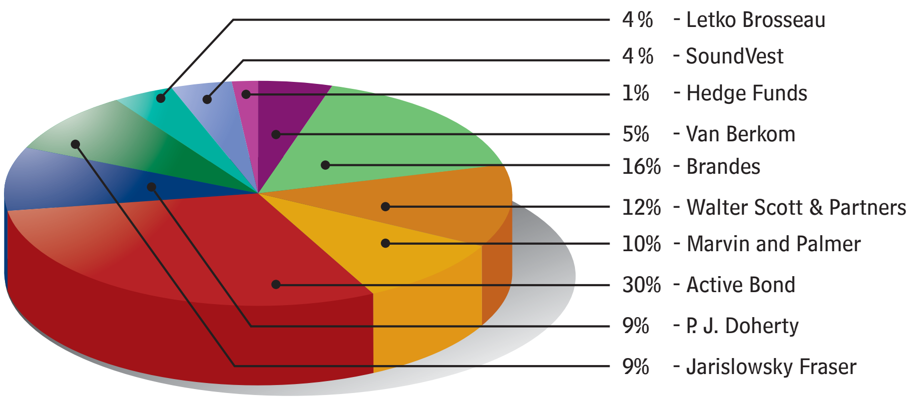
The Nunavut Trust investment portfolio reduces the overall portfolio risk by hiring a mix of external investment counselors each being given a portion of the overall portfolio to invest in their individual areas of specialization. Our investment counselors invest in fixed-income securities (bonds, short term investments and cash) as well as equity investments (Canadian stocks, foreign stocks, etc.). The fixed income investments provide a regular and predictable amount of income while the equity investments provide for future growth of our assets that would not be available in the fixed income asset class.

The following charts show how Trust assets are diversified:

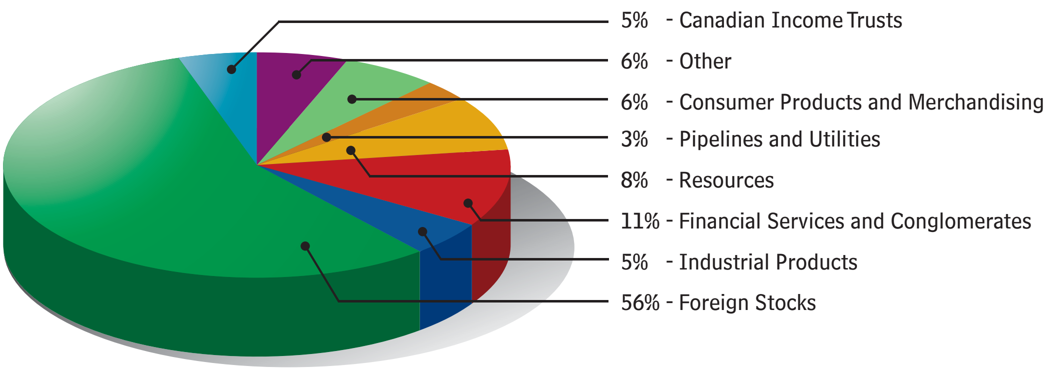
Portfolio by asset class



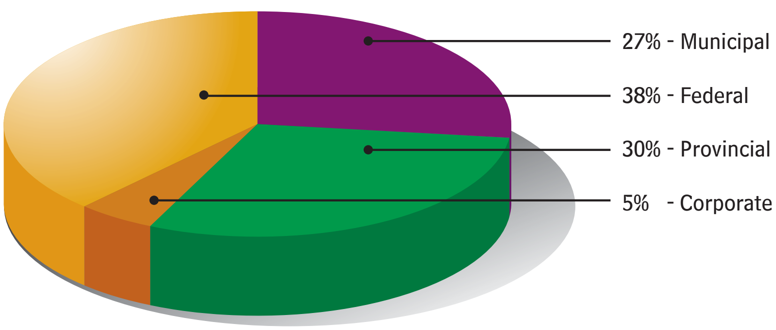
Diversification by Investment Manager and Style



Stocks by Industry Group



Bonds by Issuer



The trustees developed Nunavut Trust's risk profile with help from specialists from the consulting firm Mercer Investment Consulting. To try to support higher levels of beneficiary organizations spending and to meet the requirements to grow trust assets, the consultants recommended that the trustees adopt a more aggressive risk profile by increasing the overall level of equity held within the portfolio. With this new asset mix, we should expect the portfolio to underperform when markets are declining and outperform when markets are rising. We recognize this will create more volatility in the short term but it offers the potential for better relative returns in a market that can be expected to produce substantially lower rates of return than those seen in the past 5 years. Our investment philosophy can be stated in the following manner:

- Our goal is to produce and distribute a positive amount of income for tax purposes each year. A negative result in any single year can be tolerated (if driven by market conditions) but we would not want to see two negative years in a row.
- Variability in investment return over the long term is not of concern unless it becomes significantly greater than the variability of the underlying investment markets themselves.
- There must be enough money available to allow for beneficiary organizations to draw from trust assets at an annual level of no more than 4% of the market value of trust assets.
- We expect the investment coun sellors hired to invest Trust funds to add value relative to the performance of the markets within which they invest over the longer term.

Trust assets are diversified to reduce risk in two ways. First, assets are diversified by asset class and then assets are allocated to different investment managers who invest using different investment styles.

In 2004, the Trustees added a new specialty investment product called "income trusts" into the portfolio mix. While income trusts trade like stocks, investors own units of a trust instead of shares in a company. Companies have been converting to the "income trust" structure because it allows the companies to return capital to investors. For investors this is important because it means the amount the investor will have to pay in income tax will be deferred until after the capital has been returned. In addition to providing some additional portfolio diversification, "income trusts" should generate a regular monthly cash flow that will return more cash to the trust than it would receive by way of dividends. The income trust structure is not appropriate for all companies because it does not allow company management to retain a portion of earnings for future growth. As a result, an investor must be very selective in choosing the trusts in which to invest. This was the reason for adding a new specialty manager with expertise in this area.

A new Canadian equity manager was hired to provide some diversification in this area and to bring our exposure to any single manager within reasonable levels. Letko Brosseau and Associates joined our team of managers close to the end of the year.

WE MUST GROW OUR ASSETS AT A HIGHER RATE THAN INFLATION IF WE ARE TO PRESERVE TRUST CAPITAL FOR FUTURE GENERATIONS.

Return on Investment

The Trust Deed clearly defines the goals that are set for the Trustees to achieve. These are:

- To invest as a prudent person would
- To attempt to generate sufficient annual net income to allow the beneficiary corporations meet their responsibilities to the Inuit of Nunavut
- To attempt to ensure that the Net Capital of the Trust maintains it's buying power for future generations.

For the purpose of long term financial planning, the Trustees adopted as a long-term rate of return the objective of inflation plus 4.0% per annum net of operating expenses. The selection of a real (after inflation) rate of return is critical given the requirement that the Trustees preserve the real buying power of trust capital for future generations.

Investment returns are calculated periodically by an independent outside performance measurement service, the Royal Trust Benchmark Service. At the end of 2004, the returns reported by the Benchmark Service were as follows:

Annual TWRR

	2000	2001	2002	2003	2004
Actual	9.33%	-2.00%	-6.64%	13.14%	10.7%
Benchmark	3.04%	-5.13%	-9.55%	12.17%	9.72%
Median	12.44%	2.12%	-4.17%	13.89%	9.3%

Annualized TWRR

	Last 10 Years	Last 5 Years	Last 3 Years	Last 1 Year
Actual	10.7%	4.7%	5.3%	10.7%
Benchmark	9.1%	3.8%	3.6%	9.72%
Median	9.8%	6%	5.2%	9.3%

THE TRUSTEES, COMMITTEES AND ADMINISTRATION

Trustees

The Trustees have the overall management and administrative responsibilities defined in the Nunavut Trust Deed, including the determination of the overall portfolio asset mix and ranges of variability, investment policies and objectives, establishment of performance measurement standards used to measure progress against long term goals and objectives and the approval of the selection of investment counsellors.

On December 31, 2004 the trustees were:

Archie Angnakak, *Chairperson & Baffin Trustee*
George Eckalook, *Baffin Trustee*
Darrell Ohokannoak, *Kitikmeot Trustee*
Bill Lyall, *Kitikmeot Trustee*
Dorothy Gibbons, *Vice-Chairperson & Keewatin Trustee*
Minnie Tatty, *Keewatin Trustee*

Investment Advisory Committee

To assist the Trustees, a committee consisting of experienced investment professionals well known within the institutional investment community was established to recommend investment policies, strategies and investment counsellors to the Trustees.

The external members of the Investment Advisory Committee include:

Roger Chiniara, *Chairperson*
Arthur Donner
Robert Rabinovitch
Bonita Then

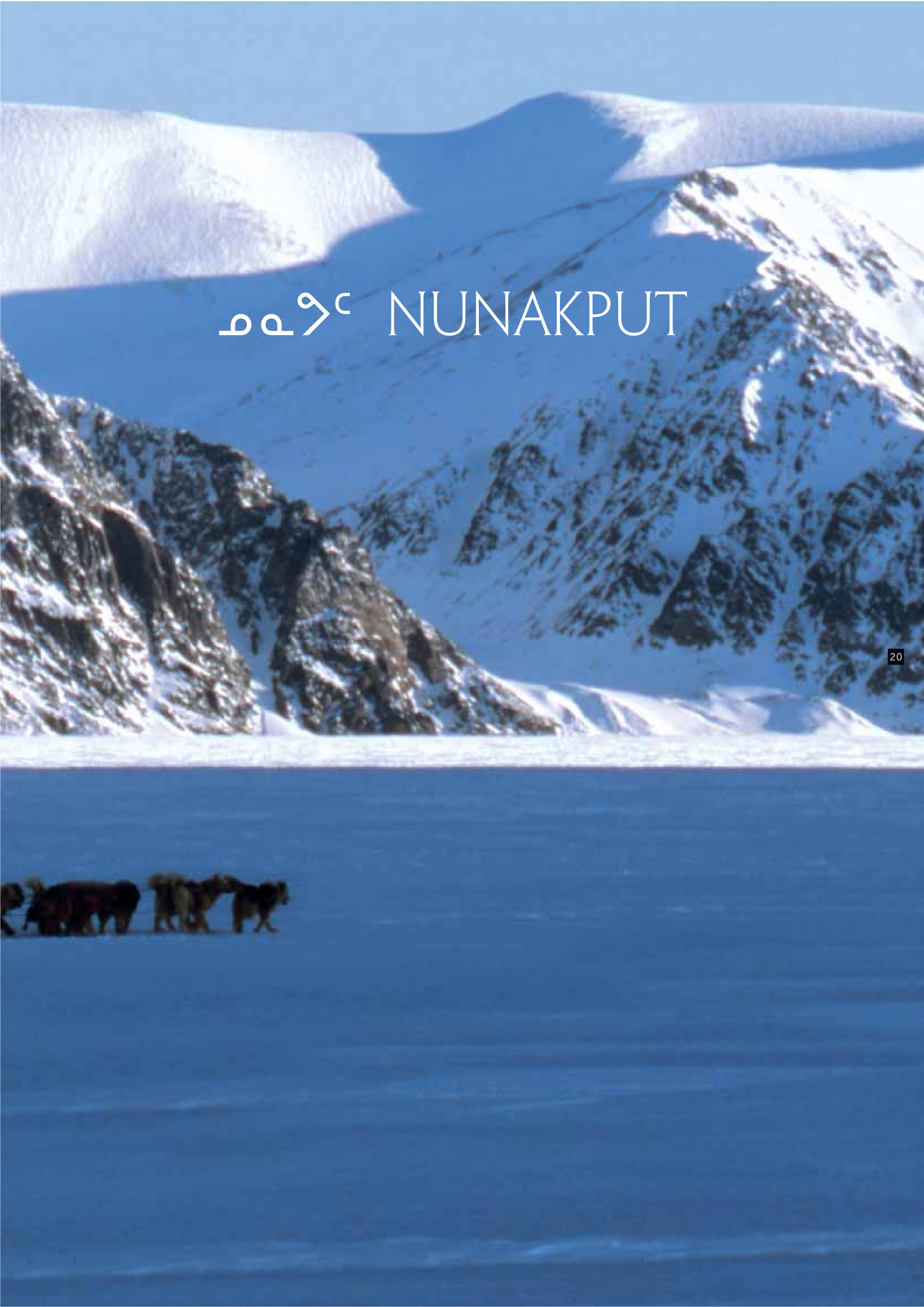
Asset Custody

Although the investment counsellors are given the authority to determine the selection of individual companies in which Nunavut Trust invests and the weights that each will have within their mandates, they do not physically hold Trust assets within their accounts. Instead to provide a segregation of duties, Nunavut Trust employs the services of one or more major trust companies specializing in the settlement of security transactions. Based on trading instructions provided by the investment counsellor, the Custodian effects the investment transactions and holds the securities of the Trust in segregated investment accounts.

Administration

A small office staff of four carried out the day-to-day duties on behalf of the Trustees during fiscal 2004. Trust staff are responsible for the accounting, reporting and support activities associated with trust operations. In-house staff included a Chief Executive Officer, a Chief Financial Officer, a Corporate Secretary, and an Administrative Assistant. Staff members are supported by external professionals including a legal advisor (Arthur B. C Drache, Q.C.) and KPMG the external audit firm responsible for the annual external audit of Trust financial statements and the review of income tax returns.

ANNUAL FUNDING FOR BENEFICIARY ORGANIZATIONS WILL BE COMPATIBLE WITH THE INCOME WE EXPECT TO GENERATE OVER THE LONG TERM



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AUDITORS' REPORT TO THE TRUSTEES

We have audited the balance sheet of Nunavut Trust as at December 31, 2004 and the statements of revenue and expenditures, changes in capital and cash flows 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Ottawa, Canada
April 14, 2005

BALANCE SHEET

December 31, 2004, with comparative figures for December 31,2003

	2004	2003
Assets		
Invested assets:		
Cash and treasury bills (note 2)	**$ 53,745,410**	$ 47,625,989
Investments (note 3)	**827,438,239**	727,543,428
	881,183,649	775,169,417
Accrued investment income	**4,058,562**	3,443,162
Amounts receivable (note 4)	**15,466**	169,849
Fixed assets (note 5)	**92,276**	110,713
	$885,349,953	$778,893,141
Liabilities and Capital		
Current liabilities:		
Accrued liabilities	**$ 859,432**	$ 762,888
Residual of tenth negotiating loan payment due to Royal Bank	**—**	955,518
Due to Nunavut Tunngavik Incorporated	**12,326**	9,505
	871,758	1,727,911
Capital (note 7)	**884,478,195**	777,165,230
Commitments (note 9)		
	$885,349,953	$778,893,141

See accompanying notes to financial statements.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Revenue:		
Interest	**$16,702,214**	$17,313,464
Dividends	**13,391,093**	8,124,338
Gain on sale of investments	**42,275,118**	—
Royalty	**1,000**	17,600
Other	**34,397**	438
	72,403,822	25,455,840
Expenditures:		
Loss on sale of investments	**—**	15,378,228
Professional fees	**4,043,778**	3,186,858
Foreign exchange losses	**4,277,167**	1,255,667
Salaries and benefits	**498,543**	418,200
Travel and accommodations	**300,707**	256,786
Communications	**8,690**	1,678
Printing	**44,074**	40,513
Trustee fees	**94,500**	71,750
Rent	**91,790**	81,958
Translation	**2,438**	3,688
Foreign taxes	**842,734**	532,803
Office	**23,097**	22,796
Advertising and promotion	**20**	108
Professional development	**356**	4,159
Depreciation	**27,213**	27,051
Bank charges	**1,649**	3,050
	10,256,756	21,285,293
Excess of revenue over expenditures	**$62,147,066**	$4,170,547

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN CAPITAL

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Capital, beginning of year	**$777,165,230**	$731,862,516
Capital contributions from Government of Canada	**89,682,231**	89,682,231
Capital loans related to repayment of negotiation loans (note 7)	**(4,856,389)**	(4,856,389)
Excess of revenue over expenditures	**62,147,066**	4,170,547
Distribution to beneficiaries (note 6)	**(41,156,156)**	(19,673,237)
Capital loans to beneficiaries (note 8)	**1,496,213**	(24,020,438)
Capital, end of year	**$884,478,195**	$777,165,230

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS

Year ended December 31, 2004, with comparative figures for 2003

	2004	2003
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	**$ 62,147,066**	$ 4,170,547
Depreciation, which does not involve cash	**27,213**	27,051
(Gain)Loss on sale of investments	**(42,275,118)**	15,378,228
	19,899,161	19,575,826
(Increase) decrease in accrued investment income	**(615,400)**	97,130
Decrease (increase) in amounts receivable	**154,383**	(132,121)
Increase (decrease) in accrued liabilities	**96,544**	(6,016)
Increase in Due to Nunavut Tunngavik Incorporated	**2,821**	9,505
	19,537,509	19,544,324
Investments:		
Purchases of investments	**(471,544,901)**	(432,463,721)
Proceeds from sale of investments	**413,925,208**	378,521,430
Purchase of fixed assets	**(8,776)**	(26,422)
	(57,628,469)	(53,968,713)
Financing:		
Capital contributions	**89,682,231**	89,682,231
Distribution to beneficiaries	**(41,156,156)**	(19,673,237)
Capital loans to beneficiaries	**1,496,213**	(24,020,438)
Capital loans related to repayment of negotiation loans	**(4,856,389)**	(4,856,389)
Residual of tenth negotiating loan payment due to Royal Bank	**(955,518)**	955,518
	44,210,381	42,087,685
Increase in cash and cash equivalents	**6,119,421**	7,663,296
Cash and cash equivalents, beginning of year	**47,625,989**	39,962,693
Cash and cash equivalents, end of year	**$53,745,410**	$47,625,989

The Trust considers cash and cash equivalents to be highly liquid investments

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004

The Trust was created on April 23, 1990 by deed of trust.

The purpose of the Trust is to manage on behalf of the beneficiaries, capital transfers paid to the Inuit of Nunavut pursuant to the Nunavut Land Claims Agreement with the Government of Canada.

1. Significant accounting policies:

(a) Fixed assets:
Fixed assets are stated at cost. Depreciation is provided using the following annual rates and basis:

Asset	Basis	Rate
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight line	Lease term

Sculptures are not being depreciated.

(b) Treasury bills:
Treasury bills are recorded at cost. Interest is accrued as earned.

(c) Investments:
Bonds and stocks are carried at cost. Interest is accrued as earned and dividends are accrued when declared.

(d) Foreign Currency:
Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions. Foreign exchange gains and losses are included in income.

(e) Use of estimates:
The preparation of financial statements in conformity with 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 date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates.

2. Cash and treasury bills:

	2004	2003
Cash	**$16,507,386**	$ 11,531,509
Treasury bills	**37,238,024**	36,094,480
	$53,745,410	$47,625,989

3. Investments:

Investments as at December 31, 2004 and December 31, 2003 are as follows:

	Cost 2004	**Market 2004**	Cost 2003	Market 2003
Bonds	**$262,433,917**	**276,241,060**	247,579,246	259,051,198
Stocks	**565,004,322**	**655,466,923**	479,964,182	550,304,139
	$827,438,239	**$931,707,983**	$727,543,428	$809,355,337

Investments are managed as a pool by investment managers who are under the direction of the Trustees. The values of the bonds are subject to interest rate and exchange rate fluctuations. The values of the stocks are subject to market value and exchange rate fluctuations.

4. Amounts receivable:

	2004	2003
Due from Nunavut Elders' Pension Trust	**—**	$ 22,001
Due from Inuit Implementation Fund Trust	**156**	2,831
Due from Nunavut Hunters Income Support Trust	**13,327**	117,479
Due from Nunavut Implementation Training Trust	**—**	6,257
Due from Nunavut Economic and Social Development Trust Inc.	**—**	1,706
Other	**1,983**	19,575
	$15,466	$169,849

Year ended December 31, 2004

5. Fixed assets:

			2004	2003
	Cost	Accumulated depreciation	**Net book value**	Net book value
Office furniture and equipment	$203,403	$131,221	**$ 72,182**	$ 80,355
Leasehold improvements	71,846	65,004	**6,842**	17,106
Sculptures	13,252	—	**13,252**	13,252
	$288,501	$196,225	**$92,276**	$110,713

Cost and accumulated depreciation at December 31, 2003 amounted to $279,725 and $169,012 respectively.

6. Distribution to beneficiaries:

Pursuant to the deed of trust, net income for tax purposes of the Trust as defined by the agreement is to be distributed to the beneficiaries unless otherwise directed by the Trustees. The beneficiaries are Nunavut Tunngavik Incorporated, Nunavut Economic and Social Development Trust Inc. and Nunavut Elders' Pension Trust.

7. Capital:

Under the terms of the Nunavut Land Claims Agreement, the Government of Canada has committed to provide the Trust with capital transfer payments and the Trust has agreed to repay the negotiation loans of the Tungavik Federation of Nunavut, on the understanding that Nunavut Tunngavik Incorporated will provide the Trust with promissory notes agreeing to reimburse the Trust for the loan repayments. Nunavut Tunngavik Incorporated refinanced their negotiating loan with the Royal Bank of Canada and Nunavut Trust signed an undertaking to advance the loan repayments to the Royal Bank in the amounts indicated in Schedule 29-3 of the Nunavut Land Claims Agreement. The payment schedule is as follows:

	Gross Capital Payment	Loan Repayment	Net Capital Payment
2005	71,745,785	3,885,111	67,860,674
2006	53,809,338	2,913,833	50,895,505
2007	35,872,892	1,942,555	33,930,337

8. Capital loans to beneficiaries:

The Trust has capital loans outstanding from beneficiaries as follows:

	2004	2003
Due from Nunavut Tunngavik Incorporated	$101,306,167	$100,930,466
Due from Nunavut Elders' Pension Trust	17,740,109	14,755,634
	$119,046,276	$115,686,100

The capital loans are secured by promissory notes and are due thirty days after repayment has been demanded. Interest at the rate of one percent per annum above the prime rate of the Trust's bank is payable after the expiry of the thirtieth day after demand. These loans have been recorded as a reduction in capital.

9. Commitments:

(a) The Trust has committed to provide funding to the Nunavut Elders' Pension Trust for the operation of the Nunavut Elders' Benefit Plan.

(b) The Trust is committed to the following payments under leases for office space and equipment:

2005	30,996

10. Fair value of financial instruments:

The fair value of the Trust's cash and treasury bills, amounts receivable, accrued liabilities, residual of tenth negotiating loan payment due to Royal Bank and due to Nunavut Tunngavik Incorporated approximate their fair value due to the relatively short period to maturity of the instruments. The fair value of investments is disclosed in Note 3.


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