



KPMG LLP
Chartered Accountants
Since 2000
160 Elgin Street
Ottawa ON K2P 2P8
Canada

Telephone: (613) 212-KPMG (6764)
Fax: (613) 212-2696
Internet: www.kpmg.ca

AUDITORS' REPORT TO THE TRUSTEES

We have audited the balance sheet of Nunavut Trust as at December 31, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

April 7, 2008

BALANCE SHEET

December 31, 2007, with comparative figures for December 31, 2006

	2007	2006
Assets		
Invested assets:		
Cash and treasury bills (note 2)	\$ 45,393,116	\$ 110,319,951
Investments (notes 3 and 11)	1,092,096,792	947,199,959
	1,137,489,908	1,057,519,910
Accrued investment income	4,877,705	4,956,450
Amounts receivable (note 4)	12,579	921,889
Fixed assets (note 5)	105,382	96,123
	\$ 1,142,485,574	\$ 1,063,494,372
Liabilities and Capital		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,399,524	\$ 1,237,887
Due to Nunavut Tunngavik Incorporated	–	12,326
	1,399,524	1,250,213
Capital (note 7)	1,141,086,050	1,062,244,159
Commitments (note 9)		
	\$ 1,142,485,574	\$ 1,063,494,372

See accompanying notes to financial statements.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Interest	\$ 21,099,094	\$ 19,484,016
Dividends	20,238,445	20,198,391
Net realized gain on sales of investments	64,681,952	47,452,280
Royalty	3,738	22,953
Other	562,459	129,382
	106,585,688	87,287,022
Expenditures:		
Professional fees	4,912,160	5,106,894
Unrealized loss on investments	13,700,196	2,388,325
Foreign taxes paid	1,233,748	1,175,068
Foreign exchange losses	865,620	427,534
Salaries and benefits	388,271	454,602
Travel and accommodations	189,810	220,017
Communications	3,247	3,674
Printing	56,636	50,844
Trustee fees	61,250	67,875
Rent	90,193	98,263
Translation	1,583	1,427
Office and administration	29,570	28,891
Professional development	350	1,386
Depreciation	17,048	13,301
	21,549,682	10,038,101
Excess of revenue over expenditures	\$ 85,036,006	\$ 77,248,921

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN CAPITAL
Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Capital, beginning of year	\$1,062,244,159	\$970,379,236
Capital contributions from Government of Canada	35,872,892	53,809,338
Capital loans related to repayment of negotiation loans (note 7 and 8)	(1,255,000)	(2,913,833)
Excess of revenue over expenditures	85,036,006	77,248,921
Distribution to beneficiaries (note 6)	(66,289,754)	(56,604,166)
Net repayments from beneficiaries (note 8)	25,477,747	20,324,663
Capital, end of year	\$1,141,086,050	\$1,062,244,159

See accompanying notes to financial statements.

STATEMENT OF CASH FLOWS
Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 85,036,006	\$ 77,248,921
Depreciation, which does not involve cash	17,048	13,301
Unrealized loss on investments	13,700,196	2,388,325
Amortization of bond premiums	973,722	578,416
Gain on sale of investments	(64,681,952)	(47,452,280)
	35,045,020	32,776,683
Decrease (increase) in accrued investment income	78,745	(185,321)
Decrease (increase) in amounts receivable	909,310	(835,275)
Decrease in Due to Nunavut Tunngavik Incorporated	(12,326)	—
Increase in accrued liabilities	161,637	197,127
	36,182,386	31,953,214
Investments:		
Purchases of investments	(379,916,162)	(401,587,083)
Proceeds from sale of investments	285,027,363	406,930,347
Purchase of fixed assets	(26,307)	(38,427)
	(94,915,106)	5,304,837
Financing:		
Capital contributions	35,872,892	53,809,338
Distribution to beneficiaries	(66,289,754)	(56,604,166)
Net repayments from beneficiaries	25,477,747	20,324,663
Capital loans related to repayment of negotiation loans	(1,255,000)	(2,913,833)
	(6,194,115)	14,616,002
(Decrease) increase in cash and treasury bills	(64,926,835)	51,874,053
Cash and treasury bills, beginning of year	110,319,951	58,445,898
Cash and treasury bills, end of year	\$ 45,393,116	\$110,319,951

The Trust considers cash and treasury bills to be highly liquid investments
See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2007

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	Annual Rate
Sculptures	Not being depreciated	
Office furniture and equipment	Declining balance	20%
Leasehold improvements	Straight line	Lease term

(b) Treasury bills:

Treasury bills are securities of such high liquidity and safety that they are virtually as good as cash and are recorded at cost. Interest is accrued as earned.

(c) Investments:

Bonds and stocks are recorded as of the settlement date and are carried at cost. Interest is accrued as earned and dividends are accrued when declared. The net realized gain on sales of investments is the difference between proceeds received and the average cost of investments sold. Investments are evaluated for impairment in their values that may be considered other than temporary which would then be recognized in earnings in the year identified. Foreign exchange forward contracts are marked to market with gains and losses on these contracts included in income.

(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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Significant estimates include assessment of investment impairment. Such assessments are based on an analysis of current and past market values, the intent and ability of the portfolio to hold the investments until maturity or forecasted recovery, fundamental characteristics of the issuer as well as the economy and industry segment within which it operates. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS page 2

Year ended December 31, 2007

(f) Future accounting standards:

The CICA issued new accounting standards for Financial Instruments including Section 3855 "Financial Instruments – Recognition and Measurement", Section 1530 "Comprehensive Income", and Section 3865 "Hedges". Section 3855 requires financial assets be classified as held-for-trading, held-to-maturity, loans and receivables, or available-for-sale financial assets and financial liabilities be classified as either held-for-trading or other liabilities. The new standards require that financial assets and liabilities be measured subsequent to initial recognition in accordance with their respective basis of classification. In addition, derivatives embedded in financial instruments or other contracts may be required to be accounted for separately under the new standards. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements.

In addition, on December 1, 2006, the CICA issues three new accounting standards: Handbook Section 1535 "Capital Disclosures", Handbook Section 3862 "Financial Instruments – Disclosures", and Handbook Section 3863 "Financial Instruments – Presentation". Section 1535 specifies the disclosures regarding how an entity manages its capital. The new Handbook Sections 3862 and 3863 replace Handbook Section 3860 "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

These standards are effective for the Trust's annual financial statements beginning on January 1, 2008. The Trust is currently assessing the impact of these new accounting standards on its financial statements.

2. Cash and treasury bills:

	2007	2006
Cash	\$ 11,444,952	\$ 23,250,335
Treasury bills	33,948,164	87,069,616
	\$ 45,393,116	\$ 110,319,951

Year ended December 31, 2007

3. Investments:

Investments as at December 31, 2007 and December 31, 2006 are as follows:

	Cost 2007	Market 2007	Cost 2006	Market 2006
Bonds	\$ 355,015,676	\$ 363,477,358	\$335,035,071	\$ 347,883,084
Stocks	728,384,945	845,236,776	606,125,764	806,672,913
Pooled Funds	8,696,171	9,346,687	6,039,124	7,126,746
	\$1,092,096,792	\$1,218,060,821	\$947,199,959	\$1,161,682,743

The Trust's investment policies, as established by the Trustees, reduce risk by diversifying the investments in two ways. Investments are diversified by asset class and then portions of each asset class are allocated to different, uncorrelated investment managers who use varying investment styles. This multi-manager strategy allows the Trust to invest in a broad range of securities which do not all move in the same direction as the general market at the same time.

The investment policies manage the risks and returns of the investments over the long term and accept that there will be short-term volatility in investment returns. The values of the bonds are subject to changes in market interest rates. At December 31, 2007 the bond portfolio had maturity dates between 2007 and 2049 (2006 – between 2007 and 2037) and carried an average effective yield of 4.55% (2006 – 5.14%). The values of the stocks are subject to market value changes and exchange rate fluctuations resulting from the Trust holding stocks denominated in currencies other than the Canadian dollar.

Fair values for bonds and equities were determined using year end quoted market prices. Pooled fund investments are valued at the unit values supplied by the pooled fund manager, which represent the Trust's proportionate share of underlying net assets at fair values determined using closing market prices.

Year ended December 31, 2007

4. Amounts receivable:

	2007	2006
Due from Inuit Implementation Fund Trust	\$ 816	\$ 600
Due from Nunavut Hunters Income Support Trust	9,555	156,062
Hedge Fund Holdback Receivable	—	763,737
Other	2,208	1,490
	\$12,579	\$921,889

5. Fixed assets:

	Cost	Accumulated depreciation	Net book value	Net book value
Office furniture and equipment	\$232,941	\$171,679	\$ 61,262	\$57,591
Leasehold improvements	107,041	76,173	30,868	25,280
Sculptures	13,252	—	13,252	13,252
	\$353,234	\$247,852	\$105,382	\$96,123

Cost and accumulated depreciation at December 31, 2006 amounted to \$326,927 and \$230,804 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 completed the last capital transfer payment to the Trust during 2007 and at the same time the Trust advanced to the Royal Bank of Canada on behalf of Nunavut Tunngavik Incorporated the final payment against the negotiation loans of the Tunngavik Federation of Nunavut.

8. Capital loans to beneficiaries:

The Trust has capital loans outstanding from beneficiaries as follows:

	2007	2006
Due from Nunavut Tunngavik Incorporated	\$ 45,817,299	\$72,631,776
Due from Nunavut Elders' Pension Trust	26,129,789	23,538,059
	\$ 71,947,088	\$96,169,835

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:

2008	56,326
2009	57,936
2010	58,740
Each of the years 2011 through August 31, 2015	60,350

10. Fair value of financial instruments:

The fair value of the Trust's cash and treasury bills, accrued investment income, amounts receivable, and accrued liabilities, 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.

11. Security lending arrangement:

The Trust participates in a security lending program with its custodian, whereby certain investments owned by the Trust are loaned to certain reputable brokers/dealers and financial institutions in return for a fee which is shared between the Trust and its custodian. Security lending revenue is reported as part of interest revenue in the amount of \$251,201 (2006 – \$425,288). This program exposes the Trust to the risk that the borrower fails to return the borrowed security. To minimize this risk, the borrower is required to provide collateral, replacement securities, with an aggregate market value never less than the percentage of the aggregate market value of the loaned securities which is the highest of (a) the minimum percentage required by any applicable pension legislation or regulatory authority or by the Income Tax Act (Canada), the regulations thereunder of Interpretation Bulletins issued by Canada Customs and Revenue Agency (b) the minimum percentage required by any legislation applicable to or regulatory authority having jurisdiction over the securities dealers who borrowed the securities; or (c) 105%. As part of its service, the custodian monitors and calculates the aggregate market value of the loaned securities and of the collateral on a daily basis and follows up with the borrowers for immediate replenishment of collateral securities when the value of the collateral falls below the value of the securities out on loan. Securities out on loan can be recalled at any time and the terms of the agreement with the custodian can be terminated upon one day's notice.

