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AUDITORS' REPORT TO THE TRUSTEES

We have audited the balance sheet of Nunavut Trust as at December 31, 2009 and the statements of operations, 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, 2009 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 8, 2010

Balance Sheet

December 31, 2009, with comparative figures for December 31, 2008

	2009	2008
Assets		
Invested assets:		
Cash and treasury bills (note 2)	\$ 26,962,735	\$ 33,803,928
Investments (notes 3 and 10)	1,030,531,956	1,052,514,287
	1,057,494,691	1,086,318,215
Accrued investment income	3,868,772	4,480,733
Amounts receivable (note 4)	104,409	51,100
Fixed assets (note 5)	79,146	93,189
	\$1,061,547,018	\$1,090,943,237
Liabilities and Capital		
Liabilities:		
Accounts payable and accrued liabilities	\$ 1,257,612	\$ 1,846,960
Capital	1,060,289,406	1,089,096,277
Commitments (note 8)		
	\$1,061,547,018	\$1,090,943,237

See accompanying notes to financial statements.

Statement of Operations

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Interest	\$ 14,804,043	\$ 17,421,677
Dividends	19,398,043	23,198,598
Foreign exchange gains	671,485	171,093
Pooled fund distributions	3,787,173	283,867
Other	182,252	472,405
	38,842,996	41,547,640
Expenses:		
Professional fees	4,114,259	4,270,132
Net realized loss on sales of investments	7,341,860	12,577,159
Unrealized impairment allowance on investments	10,591,635	31,441,760
Foreign taxes paid	1,242,801	1,540,697
Salaries and benefits	534,385	586,375
Travel and accommodations	160,800	218,477
Communications	3,023	4,428
Printing	46,153	55,339
Trustee fees	28,500	54,750
Rent	117,473	113,980
Translation	4,675	2,402
Office and administration	47,072	29,799
Professional development	2,777	1,181
Depreciation	14,043	16,257
	24,249,456	50,912,736
Excess (deficiency) of revenue over expenditures	\$ 14,593,540	\$ (9,365,096)

See accompanying notes to financial statements.

Statement of Changes in Capital

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Capital, beginning of year	\$ 1,089,096,277	\$ 1,141,086,050
Excess (deficiency) of revenue over expenses	14,593,540	(9,365,096)
Distribution to beneficiaries (note 6)	(33,670,744)	(35,831,598)
Capital loans to beneficiaries (note 7)	(9,729,667)	(6,793,079)
Capital, end of year	\$ 1,060,289,406	\$ 1,089,096,277

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended December 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 14,593,540	\$ (9,365,096)
Depreciation, which does not involve cash	14,043	16,257
Unrealized impairment allowance on investments	10,591,635	31,441,760
Amortization of bond premiums	1,068,300	1,076,406
Loss on sales of investments	7,341,860	12,577,159
	33,609,378	35,746,486
Decrease in accrued investment income	611,961	396,972
Increase in amounts receivable	(53,309)	(38,521)
(Decrease) increase in accrued liabilities	(589,348)	447,436
	33,578,682	36,552,373
Investments:		
Purchases of investments	(312,228,875)	(324,498,505)
Proceeds from sale of investments	315,209,411	318,985,685
Purchase of fixed assets	—	(5,325)
Disposition of fixed assets	—	1,261
	2,980,536	(5,516,884)
Financing:		
Distribution to beneficiaries	(33,670,744)	(35,831,598)
Loans to beneficiaries	(9,729,667)	(6,793,079)
	(43,400,411)	(42,624,677)
Decrease in cash and treasury bills	(6,841,193)	(11,589,188)
Cash and treasury bills, beginning of year	33,803,928	45,393,116
Cash and treasury bills, end of year	\$ 26,962,735	\$ 33,803,928

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, 2009

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 but which would not be reversed with subsequent increases in value. 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.

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Year ended December 31, 2009

(f) Revenue recognition:

Revenue consists primarily of investment income, which is reported on the accrual basis. Investment income includes interest income, dividends and distributions from pooled fund investments. Distributions from pooled fund investments include the Trust's proportionate share of interest, dividends and realized gains.

(g) Future accounting standards:

International Financial Reporting Standards ("IFRS"):

The Canadian Accounting Standards Board confirmed that all publicly accountable enterprises will be required to report under IFRS for years beginning on or after January 1, 2011. The Trust has determined it meets the definition of a publicly accountable enterprise and will, therefore, adopt IFRS effective January 1, 2011. Currently the Trust is evaluating the impact of these new standards on its financial statements.

2. Cash and treasury bills:

	2009	2008
Cash	\$ 22,599,650	\$ 13,721,512
Treasury bills	4,363,085	20,082,416
	\$ 26,962,735	\$ 33,803,928

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Year ended December 31, 2009

3. Investments:

Investments as at December 31, 2009 and December 31, 2008 are as follows:

	Cost 2009	Market 2009	Cost 2008	Market 2008
Bonds	\$ 271,578,231	\$ 284,998,489	\$ 297,940,409	\$ 308,878,548
Stocks	708,514,246	753,048,450	708,894,705	613,681,576
Pooled Funds	50,439,479	46,336,731	45,679,173	41,844,029
	\$1,030,531,956	\$1,084,383,670	\$1,052,514,287	\$ 964,404,153

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, 2009 the bond portfolio had maturity dates between 2010 and 2049 (2008 – between 2009 and 2049) and carried an average effective yield of 3.86% (2008 – 3.96%). 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.

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Year ended December 31, 2009

4. Amounts receivable:

	2009	2008
Due from Inuit Implementation Fund Trust	\$ 1,034	\$ 913
Due from Nunavut Hunters Income Support Trust	103,375	48,580
Other	—	1,607
	\$104,409	\$51,100

5. Fixed assets:

	2009		2008	
	Cost	Accumulated depreciation	Net book value	Net book value
Office furniture and equipment	\$210,195	\$170,133	\$40,062	\$50,078
Leasehold improvements	107,043	84,227	22,816	26,843
Sculptures	16,268	—	16,268	16,268
	\$333,506	\$254,360	\$79,146	\$93,189

Cost and accumulated depreciation at December 31, 2008 amounted to \$333,506 and \$240,317 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 loans to beneficiaries:

The Trust has capital loans outstanding from beneficiaries as follows:

	2009	2008
Due from Nunavut Tunngavik Incorporated	\$57,465,705	\$50,125,673
Due from Nunavut Elders' Pension Trust	31,004,129	28,614,494
	\$88,469,834	\$78,740,167

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.

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Year ended December 31, 2009

8. 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:

2010	58,740
Each of the years 2011 through August 31, 2015	60,350

(c) The Trust has committed to purchase 275,000 units in the LaSalle Canadian Income & Growth Fund III Limited Partnership at a price of \$100 per unit. The timing of the drawdowns against this commitment is not known at this date.

9. Fair value of financial instruments:

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

10. 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 \$264,346 (2008 - \$377,579). 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.

