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QIKIQTAAALUK CORPORATION



Qikiqtaaluk Corporation

Annual Report 2009/2010

*Approved by Qikiqtaaluk Corporation Board of Directors September 2010
Presented to Qikiqtani Inuit Association Board of Directors September 2010
Draft ver. 3*

September 18, 2010

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Annual Report 2009/2010



George Qulaut, Chairman QC

People in background:

Harry Flaherty, President QC

Lynn Kilabuk, Vice-President QC

1 Message from the Chairman of the QC Board

In year 2009/2010 the markets continued to be impacted by the economic crisis. However, QC was solid enough to have positive results through the last two years of world economic downturn.

Last year QC still banked on its past efforts and investments as well as good relations with its clients. The fact that QC's activities are diversified has helped QC to tackle a challenging year. Some of QC's mining and non-governmental industrial related projects have been delayed due to the economic constraints experienced by QC's clients, which in turn have affected and been reflected in QC's financial statements for the year.

Foreseeing these challenges, QC has approached the constraints on the market to turn them in opportunities for the company to boost its strategic positioning, and review and consolidate its operations.

George Qulaut
Chairman
Qikiqtaaluk Corporation

2 Message from the QC President



After more than 10 years with QC as Project Manager, Director of the Environment Division, and Developer, in September 2009 I had the honour to be appointed President of QC.

My mission is to create a medium and long-term strategy for the company, its subsidiaries and joint-ventures in order to consolidate, expand and diversify QC's capabilities to generate economic development and employment opportunities for Inuit in the communities of the Qikiqtani region.

In the previous years, under Peter Keenainak's leadership, QC took advantage of growing economic opportunities and built a solid basis for further development. Despite the economic downturn from 2008/2009, Nunavut is slowly but surely preparing for important changes and progress, and QC must be ready to undertake, lead and contribute to this development in the interest and to the benefit of Inuit.

To this end, in 2009/2010 QC has started a Strategic and Business Plan revision for QC and all its 100% owned subsidiaries. Short, mid and long term Action Plans are being developed for QC and its subsidiaries. This process is to be completed in 2010/2011.

As forecasted, the economic results registered by QC and its companies in 2009/2010 reflected the overall economic

situation in the region and worldwide. Fully aware of the decreasing trend, in 2009/2010 we have focused on improving the QC's processes and marketing its capabilities for future development, once the economic trend will be revived. Given the complexity of QC's operations, the effects of the economic crisis did not show immediately in QC's operations, as the growth will also come progressively.

QC strongly intends to develop **Inuit Building Capacity** through new partnerships/joint ventures for developing and building **Heavy Industrial and Infrastructure** projects in Nunavut. One of the possible ways to finance this type of projects would be through 3Ps projects (Private-Public Partnership projects), banks and partnership/joint-venture financing. Therefore, the internal consolidation of QC, the appropriate marketing of our capabilities, and the association with strong, viable companies that are interested in contributing to the Inuit Building Capacity represent the main directions of action for now and the coming years.

QC is a for-profit organization and our strategy aims to increase the economic returns of the company while balancing the Inuit Capacity Building component of QC's mission to promote Inuit employment and capacity building in our communities.

I want to take this opportunity to thank the Board Members, QIA, and QC's staff members for their support and restless work for continued growth and progress

Harry Flaherty
President
Qikiqtaaluk Corporation

3 Qikiqtaaluk Corporation

QC's Mission: To create meaningful economic, employment and career development opportunities for Inuit. QC's mission is built on the company's aspiration to own and operate 'good businesses' that build on the spirit of the Nunavut Land Claims Agreement and fulfill QC's intention to preserve, promote, and protect.

Sectors of Activity: For a major portion of the its activities, QC has been acting as a holding company and through its divisions, subsidiaries and joint-ventures, QC has emerged as a corporate leader and grew as an experienced partner in various fields, including large scale developments:

- ▶ Fisheries
- ▶ Marine Services
- ▶ Inuit Employment Agency and Training
- ▶ Environmental Remediation and Hazardous Waste Management Services
- ▶ Expediting & Camp Services
- ▶ Catering Services
- ▶ Real Estate Management and Property Assessment
- ▶ Construction and Infrastructure Development
- ▶ Public-Private Partnership Project Development (3Ps)
- ▶ Information Technology
- ▶ Retail Operations
- ▶ Medical Services & Medical Staff
- ▶ Transportation Services
- ▶ Petroleum Distribution
- ▶ Dew Line Maintenance and Operation

3.1 QC's Key Achievements, Financial Performance, and Inuit Building Capacity & Benefits

As expected, with the influx of the recession and its impacts on the economy, Qikiqtaaluk Corporation has continued to perform well in 2009/2010, but with more moderate results compared to the previous years. Sales were down and the net income from operations reached approximately \$2M. QC's strategy to counteract the effects of the economic downturn was to reduce the overall operation cost and, at the same time, increase the planning and marketing effort for developing new projects and joint-ventures to compensate for the revenue lost in 2009-2010 and to look forward to developing new revenue sources in the coming years.

In fact, QC has concentrated on reviewing its internal structure/environment and external environment to analyse the changes that QC may need to take to get ready for new opportunities and re-position itself for development. QC is maintaining the same values and direction, while it is getting prepared for new opportunities that should arise after the world financial crisis. Based on our experience and QC's complex realities, we also felt that it was the time for QC to start

introducing a higher degree of standardization of its procedures and processes. The sections below summarize the main activities carried out in 2009/2010 and their outcomes.

3.1.1 Key Achievements

3.1.1.1 QC's Board of Director Administration & Activities

Board of Director Members

In 2009/2010, the QC's Board of Directors and Senior Management included:

Chair: George Qulaut

Vice Chair: Moses Appaqaq

Director: Ludy Pudluk

Director: Loseosie Paneak

Director: Joe Arlooktoo

Activity Report of the Board of Directors and Board Committees

Appointment of QC's President

In September 2009, the QC Board of Directors appointed Harry Flaherty as President of QC. Mr. Flaherty succeeded Peter Keenainak who, after three years as QC's President, continues his almost 14 year collaboration with QC as Director of Fisheries – an industry where his vast experience is greatly needed.

Investment Advisory Committee

Qc has also initiated an Investment Advisory Committee to assist both Board and management with due diligence on existing business and potential opportunities.

Individual representatives in these committees include representatives from QC, QIA, Kakivak Association, accountants, lawyers and consultants.

Corporate Governance

Board of Directors - Procedural Process and Booklet

In order to optimize the functioning of the Board of Directors and provide support to its new members, at QC's new President initiative, a document highlighting the roles and responsibilities of the Chairperson and the board members, and detailing the procedural process the board is required to follow in order to keep records of minutes, certifications of resolutions and records of the corporate business transactions has been prepared.

In December 2009, Harry Flaherty provided a document entitled the "Procedural Process of Meeting of Directors and Shareholders" to the Board of Directors for review.

The final document was presented to and discussed with the Board members during a one-day workshop organized in Iqaluit, on April 9, 2010, which was very well received by the Board members.

A bilingual booklet containing the above information will be printed out and distributed to the Board members for future reference.

3.1.1.2 QC's Operations / Activities

QC's expansion and service diversification over the years has led to the decision of transferring most of the projects and services under QC's 100% owned specialized subsidiaries (that collaborate with QC's joint-ventures when necessary), and having QC undertake the role of a management and holding company.

In 2009/2010, QC continued the management activities for its group of companies and all the other activities initiated in the previous year while ensuring at the same time the smooth transition of the President's responsibilities from Peter Keenainak to Harry Flaherty.

Given the economic downturn registered in 2008/2009, the moderate forecasts for 2010/2011, and the decrease in revenues compared to the previous years, QC needed to adjust in order to minimize the impact, and prepare for future development. We have therefore come up with a two-folded approach that takes into consideration QC's internal environment as well as the external stakes, risks, and opportunities.

QC's Strategic Planning Activities

In November 2009, shortly after the commencement of my mandate, I initiated a review of QC's short, middle and long term strategy in order to develop a comprehensive strategic approach to support the direction of QC's current and future operations for the years to come.

On March 24th, 2010, a Workshop was held on the QC strategic plan to discuss the 5 year strategic developments for QC and its 100% owned subsidiaries.

Phase I of the Strategic Planning, to be finalized before June 2010, looks at QC's organization and internal structure, including review of job descriptions, performance evaluation, and company policies to ensure that the company is optimally organized to undertake future development.

The analysis of the QC's internal organization is doubled by a review of QC's external environment, including all factors that touch directly or indirectly QC, such as Federal, Territorial and Municipal Government Policies and Development Planning, Financing and Development Agencies availabilities, Competition positioning, Risks, Opportunities etc. This will allow developing a short term action plan for QC that would eventually lead to a comprehensive 5-year Strategic and Business Plan for the company and its 100% owned subsidiaries. This exercise is scheduled to be completed for December 2010.

Governance Policy Review and Update

QC has started reviewing all QC policies adopted over the years and has made a list of operational and governance policies to be written specifically for QC and its divisions and to be adopted by the Board.

Policy Statement: The Qikiqtaaluk Corporation (QC) and each of its subsidiaries will ensure that all regulatory registrations and requirements are adhered to. This includes such things as Workers Safety and Compensation Commission registration and compliance with the Act(s), Annual City of Iqaluit Business Licenses, Corporate Registry filings and returns, Revenue Canada filings and Building Codes. This list is not all inclusive.

QC's HR Review and Assessment (Review and Updating of QC's HR Structure and Job Descriptions; Self-Evaluation; and HR Formal Evaluation)

Complementary to the Strategic Planning exercise, a formal HR Review and Assessment for the QC's staff has been initiated before in November 2009. The objective was two-folded:

- 1) to update the job descriptions for the staff and conduct a formal performance review, which included self-evaluation, evaluation by the supervisor and feedback. The results of the performance evaluation exercise were detailed in individual letters addressed to the QC's staff; and
- 2) on medium-term, to be able to come up with a HR Development Plan for our staff.

On the same line, in the spring of 2010, QC conducted a salary survey study for industrial jobs for which its companies hire staff on a regular basis, by comparing salary ranges for specific job titles in several provinces in order to identify the rates to be used by QC and its companies in the near future. The study looked at salary ranges per job title as well as fees to be charged to clients for the respective job titles.

Finance - Payroll - Accounting - Insurance/Bonding - Assets

QC's Financial Department provides accounting and payroll services to its subsidiaries, and specific services to QC's joint-ventures. The Financial Department has also been in charge of financing and managing the keeping of the company's assets and the company's insurance portfolio.

Marketing and Development

► *Joint-Ventures - finalized*

Qikiqtaaluk Medical Corporation (QMC): On August 13, 2009, the joint-venture between Qikiqtaaluk Corporation (which has a 51 % ownership interest) and Sirius Secourisme en Regions Isolees (Nunavut) Inc'/Sirius Wilderness Medicine (Nunavut) Inc. (which is 100% owned by Sirius Wilderness Medicine Inc. and which has a 49% ownership interest in QMC) has been finalized. QMC provides medical support and training services in Nunavut.



TULAKTARVIK



Gordon Bain, President and CEO of Ocean Group (left) and Harry Flaherty, President of Qikiqtaaluk Corporation (right)

Tulaktarvik: On March 5, 2010, QC through its new 100% owned corporation Sikku, has concluded the signature of a new joint-venture with the Ocean Group through its 100% owned company Ocean Imaq. QC/Sikku owns 51% of the shares, while Ocean/Imaq holds 49%. Before the establishment of the new joint-venture, Ocean Group has actively contributed with QC to the marine development in Nunavut, and delivered the first phase of the floating wharf in Pangnirtung, Nunavut.

Tulaktarvik aims to provide specialized marine services for communities and heavy industrial projects in Nunavut, including:

- Floating Wharves
- Harbour Towing & Ship Escort
- Tug & Barge Short Sea Shipping
- Shipbuilding & Ship Repair
- Harbour Dredging & Environmental dredging
- Marine Equipment Rental for infrastructure Construction

In March 2010, Ocean and QC, before the final approval for the NNI compliance for Tulaktarvik, have submitted a proposal to the Government of Nunavut for the construction of a 60 foot steel research vessel to be used as a research platform in Nunavut waters. The group was retained on the short list of the bid, but in the end the project was awarded to the GloverTown shipyards in Newfoundland for a total contract value of \$2,062,500.

Prime Minister Harper announced a 200 million dollars budget for small craft harbours in Nunavut in 2009 which looks like an encouraging trend for Tulaktarvik. The company also plans to offer specialized tug boat services for the Mary River project.

Starting this year, Inuit Building Capacity and training plan were also included in all joint-venture proposals.

Partnerships (Summit Air)

During the winter months of 2009/2010, QC and Summit Air have worked together to structure a new business agreement between the two companies to increase flexibility in offering charter services to communities and projects operating in the Baffin Region. The agreement is to be signed in April 16, 2010.



Summit Air Charters Lt. has been providing aircraft charter services in the Nunavut Territory, Northwest Territories, and elsewhere

in Canada for over 22 years. They currently operate **Dornier 228 aircraft which can carry up to 19 passengers or 4000lbs at 230 mph.** They also operate the **Shorts Skyvan which can carry up to 4500 lbs or a maximum of 9 passengers at 175 mph.** The Skyvan is ideally suited for large oversized pieces due to its rear loading cargo door. Items as large as a medium sized pickup truck can be easily transported. Both the Dornier and Skyvan have excellent short field performance capabilities.

► *Potential Joint-Ventures - on-going discussions*

QC has also been conducting discussions with large industrial companies from South for forming partnerships in Port Facility Management and Stevedoring; and in the Heavy and Industrial Construction Sectors as well as with smaller businesses such as Security Services. QC is looking to bring specific knowledge and technologies to build **Inuit capacity** that would allow us to be the **first choice developer and partner** for mining, industrial and infrastructure developments in Nunavut.

Presentations to QIA/NTI (BIMC-3Ps-Peregrine-Dew Line Fed)

In March 2010, QC presented a list of pending issues to the QIA executive committee in order to get their support with respect to

- Development of Inuit Owned Land - QC would like to develop, in collaboration with QIA, a strategy for the utilization of the Inuit Owned Land in Iqaluit in order to move forward on Inuit residential and commercial real estate development.
- Volume of work contracted through Inuit companies by Peregrine Diamonds and Baffinland Iron Mines Corporation
- Concerns about procedural issues on INAC Dew Line Projects
- Private-Public Infrastructure Projects - After the successful construction of the Qikiqtani General Hospital, QC is looking to work with QIA to lobby and obtain large infrastructure projects, such as hydro-electric dam, deepwater port, airport, New GN Legislation building etc. QC is looking to have NTI/Atuqtuarvik Corporation involved for initial funding for 3Ps projects and/or any other regular financing of projects.

All the issues above are directly linked to Inuit Content and Inuit Building Capacity opportunities on existing and future projects that affect directly QC and its companies.

Invitation to Join the Nunavut Resources Corporation (NRC) – Declined by QC:

The Nunavut Resources Corporation (NRC) is an initiative of the Kitikmeot Inuit Association to facilitate the direct equity participation of Nunavut Inuit in major non-renewable resource

projects proposed, or presently under development or construction, in Nunavut. Qikiqtaaluk Corporation (QC) has been involved in the NRC meetings and development, and NRC asked QC if they were interested to provide funding and become partner in NRC. QIA and QC jointly advice in form of a letter stating we would not participate since it did not meet the present mandate nor investment strategic of QIA and QC.

Conference Participation and Presentations

QC was represented and presentations on QC's capabilities, QC's approach to joint-ventures, and QC's profile for Mining and Industrial Projects were made at the Northern Lights Symposium in January 2010. At the same time, a tailored presentation has been prepared for the Mining Symposium that will take place in April 2010.

A QC presentation booklet in Inuktitut and English has been under preparation and will be made available to the QIA Board Members and the communities in the spring of 2010.

Part of a documentary on Nunavut made and run by Radio Canada in February 2010, Mr. Flaherty spoke on behalf of QC and Inuit in Nunavut with respect to economic development in the region.

(<http://www.radio-canada.ca/emissions/telejournal/2009-2010/Reportage.asp?idDoc=103022>)

Lobby Initiatives (GN, the Federal Government, etc.)

Part of the 2009/2010 strategy, QC has started a lobbying campaign to present QC and its capabilities to governmental and private stakeholders in order to promote QC as a solid partner for large infrastructure projects in Nunavut.

The **new lobbying campaign** has been structured in three phases:

- ▶ **(done)** First, approaching -INAC and GN ministers regarding QCs mission statement and desire to develop new large projects in Nunavut;
- ▶ **(ongoing)** Then, meeting and making presentations to Fed-INAC and GN ministers to clearly states that QC is ready for new 3Ps and Heavy Industrial projects; and
- ▶ **(next)** Meeting with each project representatives to discuss in detail what and how QC could contribute

In February 2010, introductory letters were sent to the GN ministers, CanNor and INAC local directors, the clerk of the Legislative Assembly, and the Nunavut Deputy and Canada Health Minister, in order to present QC as developer and partner in building Inuit Capacity under 3Ps projects (Private-Public Partnership projects), and organize meetings with the appropriate decision-makers for specific infrastructure projects.

QC has confirmed a meeting with the Premier Minister of Nunavut, Hon. Eva Aariak, and the Minister of Economic Development and Transportation, Hon. Peter Taptuna, for April 19, 2010; representatives of the CanNor Agency were also met.

For the next period, we intend to continue our lobbying and marketing efforts in order to prepare for upcoming projects.

Increased Collaboration and Presence in the Communities

Employment: In 2009/2010, QC and our group of companies continued to hire Inuit from the communities of the Baffin Region for ongoing projects.

Training: Through Kakivak, QL and QE have been contracted to deliver a BEAHR training program for Environmental Monitors and Environmental Site Assessment to 20 Inuit trainees in four communities (Cape Dorset, Pangnirtung, Igloolik and Pond Inlet) in the spring and summer of 2010.

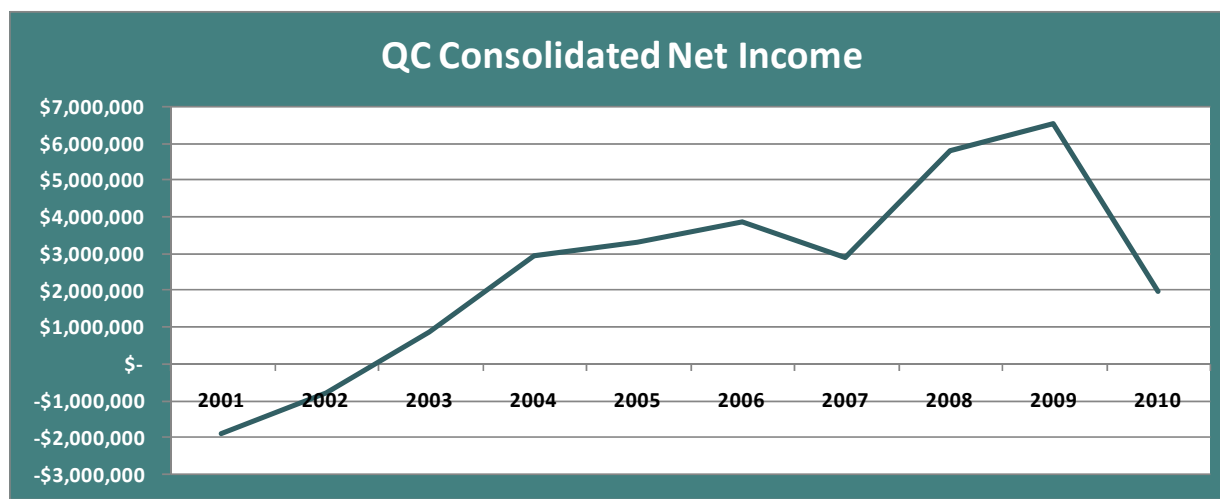
Harbour Social and Economic Feasibility Study for the Hamlet of Qikiqtarjuaq: In addition, QC has developed a more pro-active approach to increase its collaboration with the communities to support them in achieving their objectives. QC bid and has been awarded the Qikiqtarjuaq Social and Economic Study by the Hamlet of Qikiqtarjuaq.

We will continue consulting with the Hamlets of the communities from the Baffin Region to identify how QC could assist them on dealing with private companies wanting to do business in their communities, preparation of project proposals, training and overall Inuit Capacity Building.

Upgrade of QC's Web site

At the end of 2009, we have also started a complete review of the QC's website to reflect company's development activities, opportunities and capabilities. A contract for the upgrade of the web-site was awarded to Atiigo Medida Inc.

3.1.1.3 Financial Performance and Assets



The Financial Statements for the fiscal year ending March 2010 are, as expected, less impressive than in 2009 when QC reached a historic peak of \$6,539,514 in net income.

However, considering the world financial crisis, QC has done well and still succeeded to turn a net income of \$1,948,223 in 2010. This is very much due to its large diversification between the

public and private sectors. In fact, some of the contracts from the private sector such as QL Mary River Project have diminished their activities which were reflected in lower revenues, while the public contracts such as QL Cape Christian project has contributed to maintain a good part of the company's revenues. The Fisheries, the Real Estate and the Baffin Gas bar has been doing very good despite the financial crisis. The real estate has also a large part of "public government" tenants. Finally, QITC could not make profitable business and ends up with an important loss.

Qikiqtaaluk Corporation		Assessment Report # 1 September 2, 2010				
INCOME		2006	2007	2008	2009	2010
	Revenues	45,760,170	48,260,635	106,097,532	80,509,311	67,701,868
	Expenses	42,894,568	46,674,214	96,280,925	72,712,890	66,879,165
	Other Income (Expenses)	2,767,293	3,535,383	(572,361)	2,631,555	2,631,055
	Income Taxes	1,274,649	1,841,248	3,299,727	2,219,760	894,196
	Net Income	3,847,039	2,899,369	5,805,762	6,539,514	1,948,223
BALANCE SHEET						
ASSETS	Current	25,085,133	23,362,011	39,649,372	41,923,594	34,648,812
	Total	91,225,458	102,851,075	74,333,815	78,847,639	73,057,515
LIABILITIES	Current	30,540,215	48,920,954	29,769,393	26,447,748	24,497,917
	Long Term Debt	27,039,171	18,060,421	17,452,985	16,616,157	10,748,141
	Total	75,213,396	84,684,303	50,671,281	48,978,924	41,373,910
SHAREHOLDER'S EQUITY		16,012,062	18,166,772	23,662,534	29,868,715	31,683,605
CASH-FLOWS						
	Operations	6,529,306	2,233,857	(9,517,703)	2,932,849	2,932,849
	Financing	(33,028,318)	(14,768,443)	41,671,276	(3,487,331)	(3,487,331)
	Investing	28,159,001	10,709,555	(33,212,897)	2,146,897	2,146,897
	Net	1,659,989	(1,825,031)	(1,059,324)	1,592,415	1,592,415

RATIO DATA					
LIQUIDITY RATIO	2006	2007	2008	2009	2010
Working Capital	0.82	0.48	1.33	1.59	1.41
RISK RATIO					
Debt / Equity ¹	470%	466%	214%	164%	131%
PROFITABILITY RATIOS %					
Return on Assets (ROA) ²	4%	3%	8%	8%	3%
Return on Equity (ROE) ³	24%	16%	25%	22%	6%
INVESTMENT RATIO					
Shareholder's Equity ⁴	18%	18%	32%	38%	43%

1 Total Liabilities w/o due to QC / Shareholder's Equity with due to QC

2 Net Income without Management Fees / Total Assets (**Return on Assets (ROA)** indicates how efficiently the management team is using the assets to generate profit)

3 Net Income without Management Fees / Shareholder's Equity with due to QC (**Return on Equity (ROE)** indicates if the management has maintained or increased the profitability taking in consideration the share capital invested)

4 Shareholder's Equity with due to QC / Total Assets (**Shareholder's Equity ratio** indicates how much shareholders would receive in the event of a wide liquidation. The higher the ratio, the more shareholders may receive)

3.1.1.4 Inuit Building Capacity & Benefits

QC has continued to develop Inuit Building Capacity and Benefits through its activities, generating:

- ▶ Direct Employment & Training;
- ▶ Increased Skills and Employability;
- ▶ Local Delivery Capacity Building;
- ▶ Community Benefits;
- ▶ Transfer of Knowledge;
- ▶ Profitable Inuit Corporation;
- ▶ Contribution and Donations.

Inuit Employment and Training has been a constant priority of QC and its companies. We are proud that about 80% of our staff working on on-going projects and at our headquarter offices is of Inuit origin.

We intend to maintain and increase where possible the Inuit hiring and training; and at the same time we intend to implement a formal monitoring procedure for all the training provided to our staff. We have noticed that employees of some of our companies received training but the records were not updated to reflect the training they received. We therefore intend to formalize the record keeping on training provided and training plans so that we can better monitor the training for our employees.

Moreover, in the case of new joint-ventures, QC has included as a compulsory component, the obligation for the southern partner to develop Inuit Building Capacity and Training Plans in all joint-venture proposals.

In 2009/2010, QC has continued to give back to the communities. The company made donations to various groups, agencies and individuals.

True to our business philosophy, and commitment to Inuit and our communities, in 2009 QC/QL listened to the Clyde River's residents requests and agreed to construct a permanent bridge and upgrade the 10 km long access the road, outside of the scope of work for the Cape Christian Remediation Project.

In the same line, in October 2009, QL was awarded a contract to provide Food and Dietary Services to the Qikiqtani Hospital in Iqaluit and QC/QL decided to provide country food for patients and night hospital staff free of charge.

Firmly following the above principles, QC constantly strives to improve the social and economic well-being of the people in the Baffin region. Bearing the mission of Building Inuit Capacity in mind, QC has been actively seeking to create economic and employment opportunities for the Inuit through diverse projects and programs. In addition, QC is also proud to bring about the returned benefits to the communities and some non-profit organizations, in the manner of contributions and donations, helping improve the development and establishing recognition among communities.

QC's contributions and donations to the communities

Qikiqtaaluk Corporation actively participates in Nunavut communities, providing financial and in-kind contribution to a diverse mix of civic and not-for-profit programs that enrich the cultural and social well being of Inuit.

In 2009-2010 QC made corporate donations of \$59,700.00 including to the following communities

QC's donations to 12 communities during Christmas festivals

QIKIQTAALUK CORPORATION		
Contributions and Donations 2009 - 2010		
12/17/2009	Donation, Hamlet of Arctic Bay	500.00
12/17/2009	Donation, Hamlet of Grise Fiord	500.00
12/17/2009	Donation, Hamlet of Kimmirut	500.00
12/17/2009	Donation, Hamlet of Cape Dorset	500.00
12/17/2009	Donation, Hamlet of Hall Beach	500.00
12/17/2009	Donation, Hamlet of Pangnirtung	500.00
12/17/2009	Donation, Hamlet of Clyde River	500.00
12/17/2009	Donation, Hamlet of Igloolik	500.00
12/17/2009	Donation, Hamlet of Pond Inlet	500.00
12/17/2009	Donation, Hamlet of Qikiqtarjuaq	500.00
12/17/2009	Donation, Hamlet of Resolute Bay	500.00
12/17/2009	Donation, Hamlet of Sanikiluaq	500.00

Meanwhile, QC has also actively organized and participated in a variety of community activities and events, which are an essential element for promoting awareness and understanding of QC and its mission.

Baffin Regional Chamber of Commerce:

At the Trade Show Participation in Iqaluit QC was awarded with its "Lifetime Achievement Award".

Toonik Time

QC became a Bronze Sponsor of Toonik Time in May, 2009.

Parades

Keeping up with the recent trend of the last few years, QC has won the "Most Outstanding Float" prize during both the Canada Day and Christmas parades. The innovative and colourful parades proved to be excellent promotions for the company, a good team-building exercise and a lot of fun for the children and parents that took part in it.



Nunavut Square

The City of Iqaluit wanted to build a mini park as part of their city beautification process, suggested by the Legislature. QPI and NCC have both donated land in the Parnaivik parking lot help this effort.

Frobisher Inn Annual Pumpkin Carving Contest

Although QC has yet to win a prize in this competition a pumpkin was carved and submitted.

Edmonton School Presentations on Nunavut

Each fall, one of QC's employees travels to Edmonton and gives a lecture to the Grade Two classes that are studying communities, about life and culture in Nunavut. QC generously provides a number of giveaway items. These are always appreciated by both students and teachers

Safe Iqaluit Society

Starting as of January 2010, QC has granted the Society the free use of its Board Room for their evening meetings.

Zoning Bylaw and General Municipal Plan Consultation

All of the companies took part in the City of Iqaluit's consultation process concerning the new Bylaws. It is likely that as a result, the City will have much better documents than otherwise would have been expected.

Dump Clean Up

One of our employees has identified a site, where it appears some irresponsible contractor had dumped paint cans and other waste. QPI staff volunteered to do the complete cleanup of the site for the City for free, once the investigation was complete.

Winter Olympics

With the events leading up to the Winter Olympics the Parnaivik parking lot hosted a number of events and both buildings carried out promotional signage.

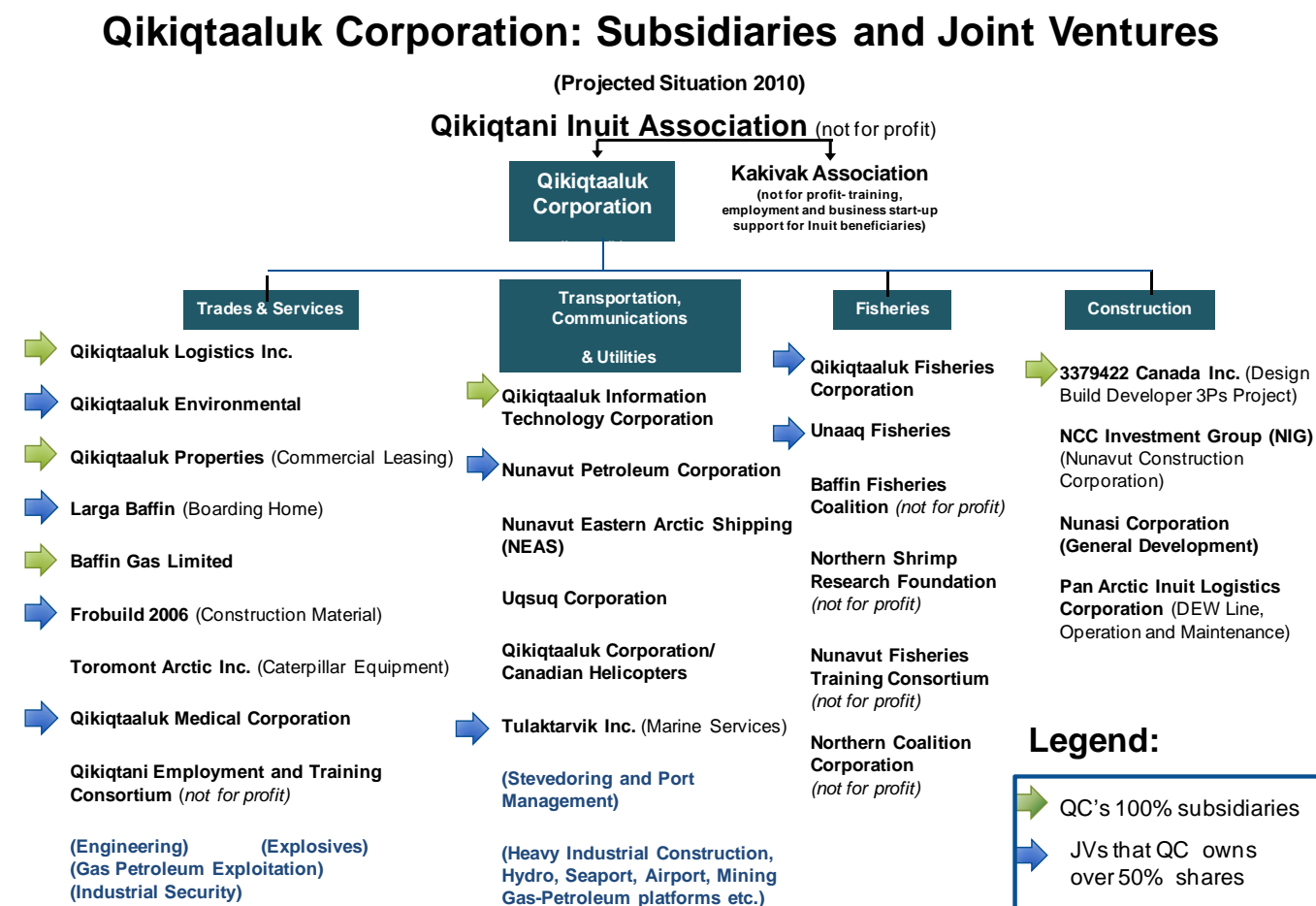
G7 Summit February 6-7, 2010

A portion of the Parnaivik parking lot was turned over to the Government of Nunavut to build an igloo for the delegates to the G7 summit.

City of Iqaluit Utilidor Construction

QPI granted the City of Iqaluit an occupancy permit for the Old Blue Dome lot to use it as a staging area for their utilidor construction project in the area over the summer.

4 Subsidiaries Reports (100% QC owned companies)



4.1 Qikiqtaaluk Logistics Inc.

4.1.1 QL Mission Statement

QL was created as a for profit organization to address, develop and operate new industrial, mining and environmental projects and contracts for QC. QL's **mission** statement is to:

“Foster a thriving economic environment in Nunavut by providing professional services to its clients and creating sound employment and training opportunities for our Inuit workforce”.

Since QL is owned at 100% by QC, its mission and activity complement QC's vision to develop local Inuit economy and to build Inuit capacity in the Baffin region.

4.1.2 Key Achievements

With the influx of the recession and its impacts on the economy, Qikiqtaaluk Logistics has continued to strive through these difficult times. Throughout this period, QL has sustained additional contracts, secured Joint Venture agreements. We have worked towards the advancement of building capacity, while maintaining an excellent rate of employment, and providing training for all staff within our administration and off-site staff.

2010 will prove to be a very exciting year for Qikiqtaaluk Logistics with hopes of continued contracts and promising ventures.

In 2009/2010, the Environmental Department represented by Qikiqtaaluk Logistics Inc. (that collaborates on certain projects with Qikiqtaaluk Environmental) focused on the planning and implementation of our seasonal and year-long projects. This includes the administration and logistics for Cape Christian, Peregrine Diamonds, the QGH dietary services, and lastly the Mary River Project. It is apparent, that our environmental division was not faze or sternly affected by the recession. We will continue to provide employment, training and maximize on our Inuit beneficiary clients by building capacity within the communities that are closely impacted by the projects.

4.1.3 QL Overall Financial Performance

After two years with significant profits, QL has registered an operational loss of approximately \$1M in 2009/2010. Salaries for QL staff represented almost half of the revenues. At the same time, QL invested in equipment for its projects and paid up an important part of the equipment debt that used to be under QC.

QIKIQTAAALUK LOGISTICS INC.		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 6,040,899	\$ 13,284,611
EXPENSES (BEFORE INCOME TAXES)	7,137,874	13,284,611
MANAGEMENT FEES (PART OF EXPENSES)	0	2,236,795
NET INCOME	(1,096,975)	0
ASSETS	3,562,327	6,469,125
SHAREHOLDER'S EQUITY	(1,096,974)	1

4.1.4 Cape Christian Project

Qikiqtaaluk Logistics has completed the first year of a two year remediation contract with Indian and Northern Affairs at Cape Christian.

After the equipment mobilization in 2008, in 2009, a crew was sent in late May to start hauling all equipment and supplies and to set up the camp close to Cape Christian. The remediation activities started at the beginning of July 2009. To date, the following activities have completed:

- ▶ Removal and containerization of all PCB amended paint from the main building;
- ▶ Removal and land filling of all asbestos material;
- ▶ Demolition of the main station building, the disaster hut, the garage structure, the air terminal building, the beach fuel tank, the 5 above ground fuel storage tank, cutting down all poles;
- ▶ Excavation of all contaminated soil and containerization in wooden boxes;
- ▶ Excavation of fuel contaminated soil and land farming on site;
- ▶ Construction of the sewage lagoon;
- ▶ Excavation of 4 of the 8 beach buried debris area, and management of over 8000 empty drum emptied from contaminated water, crushed and landfilled;
- ▶ Removal of all scattered debris and placement in the landfill;
- ▶ Construction of three of berm for the engineered landfill;
- ▶ Installation of three monitoring wells
- ▶ Shipping of disposal of all PCB contaminated material, and 90% of all other hazardous waste (reminder to be stored on site over the winter);
- ▶ The installation of culverts from the camp area to the site;
- ▶ The management and treatment of over 200,000 litres of contaminated water found in buried drums.

QL anticipates demobilization of the Cape Christian project for early October of 2010.

Inuit Building Capacity and Benefits



Figure 1: Pulling the Structure across the River

Cape Christian Bridge Installation / Road Work: As part of the consultations with the hamlet of Clyde River, prior to preparing QL's tender for the project, the residents requested that QL construct a permanent bridge and upgrade the 10 km long access the road, outside of the scope of work for the Cape Christian Remediation Project.

At the end of the project all of the permits for the road and the bridge will be turned over to the community giving them ownership and control of the bridge and the road for the

remainder of its lifetime.

QL was also responsible for the construction of a new fish habitat to compensate for the existing fish habitat that will be altered or lost at the different locations where the road passes over fish bearing waters.

Employment: Throughout the summer season, a total of 41 employees were hired directly from Clyde River, ranging from Heavy Equipment operators, to Kitchen Aids, to Engineering technicians. Two training courses were carried out in the community of Clyde River as well. First Aid and WHIMIS training was conducted in the month of May and June 2009. All trainees were trained and certified, QL tried to maximize and prioritize hiring of these participants.

Additional training will be provided for the worker orientation seminar, WHIMIS and First Aid prior to any employees travelling to site in the summer of 2010.

4.1.5 Mary River Project

The Mary River Project run by Baffinland Iron Mines Corporation has been scaled down significantly since 2009 and is still mainly under a "care and maintenance program".

The main focus also for the 2009 season with the Mary River project was for the backhaul of all its equipment and supplies, off site. Baffinland has not secured a minority financing partner to invest in their operations at this point, resulting in scaling back in their work plans and scheduling. QL was obligate and left with little choice but to prepare their equipment for shipping and to have it dedicated to other project sites, to maximize their usage. QL plans to renegotiate new contracts and rates with BIM in order to secure future work.

QL had on average 10 to 15 employees working on the project site in the summer of 2009, and about of two to four employees throughout the 2009/2010 winter season. At the beginning of 2010, QL agreed with BIMC to renew the HR Agency employment contract with a 2% increase of the rates compared to 2009 rates. However, the 2% increase followed after a 10% decrease

applied in 2008 compared to the 2007 rates, at BIMC's request. We have also seen a constant decrease in the request for Inuit workforce and the volume of Inuit services contracted by BIMC.

Financial Performance: The project remains profitable, with gross revenues of approximately \$1.3M, out of which \$96,600 as equipment lease charges are still under discussion between the two companies.

Inuit Capacity Building and Benefits: QL builds Inuit Capacity through direct employment of Inuit for the Mary River project. In addition, the QL office in Iqaluit provides administration and logistics not only for recruitment, employment and deployment on site, but also during training courses. QL in collaboration with QETC (Qikiqtani Employment and Training Consortium) hired the 10 men from Igloolik who have been trained as diamond drill helpers in Newfoundland in the spring of 2009, and later on, during their onsite training at Mary River in the summer of 2009. QL is supposed to act as employer during the 2010 summer season, too.

At the same time, we have also seen a constant decrease in the request for Inuit workforce and the volume of Inuit services contracted by BIMC.

4.1.6 Peregrine Diamonds

QL has continued to provide warehousing, expediting, purchasing and waste disposal services to Peregrine Diamonds for the third consecutive year in 2009. Following the discovery of additional diamondiferous kimberlites by PD at Chidlaik (150km from Iqaluit) it is expected that PD's activities in the region will continue to grow, creating new opportunities for the QC companies to offer tailored services to PD. In an attempt to minimize their expenses, PD has been trying to hire and develop in-house resources for purchasing and expediting services; however they do not have the capacity to fully manage this type of services in-house yet. This would be good opportunity for QL to do a needs analysis with PD and structure mutually advantageous agreements for 2010 and years to come.

Peregrine Diamonds, which has in the meantime partnered with BHP Billiton, contacted QL indicating that they will mobilize in early of March 2010 to begin the snow clearing and preparation for this year's drilling program. In the mean time, QL has initiated in getting PD's equipment and supplies maintained and prepared for their arrival.

Qikiqtaaluk Logistics will be approaching Peregrine Diamonds again, to offer our services in warehousing, logistics, expediting, as well as medical, HR and administrative services. QL currently sublets over 1,500 sq ft of warehouse space in Iqaluit. Majority of the space has been occupied throughout the winter season, holding core samples, equipment and supplies.

Financial Performance: The project is profitable, registering gross revenues of about \$320,000 in 2009/2010.

Inuit Building Capacity and Benefits: Services were provided by our Inuit staff in Iqaluit who has specialized in standard and tailored logistical services for our clients.

4.1.7 QGH Dietary Catering Services

In July 2009, the Government of Nunavut requested a RFB for Catering Services for the Qikiqtani General Hospital and QL submitted a proposal in August 2009. QL was awarded the Catering Service contract for the next three years at approximate value of \$500,000.00 per year. The main challenge of this new contract is to provide special menu dietary services in the hospital, while developing Inuit capacity for catering services in an institutional environment.

In addition, Community Government Services had submitted a RFP to Qikiqtaaluk Logistics to provide additional dietary and sales services for a gift shop in the new Hospital wing. This proposal was submitted in March 2010. The award of the contract has not been finalized yet.

Financial Performance: The Hospital Catering contract is providing better service and food for the institution but has not yet been fine tuned to the point of returning a profit. To do so may require some changes in personnel as well as further discussions with the responsible government department. The institution has expressed its satisfaction and apparently wants to cooperate in order to bring the operation to within its accreditation status.

Inuit Capacity Building and Benefits: QL is building Inuit capacity for providing catering services at high standards in an institutional environment. Inuit employment and training remain a priority. Furthermore, QL provides country food for the hospital patients and evening staff for free.

4.1.8 QL/QE Waste Management Lot # 3 Frobuild

At present, QL has successfully rented out its Building 2007 storage facility in full capacity to Peregrine Diamonds Ltd. However, QL's potential for increasing its revenues from remediation and logistics services are limited since they rely on storage availability and capacity. For this reason QL/QE have identified a potential site belonging to Frobuild Construction Ltd (hereafter Lot 3) that will be able to answer its present and future needs for spill response and remediation services as well as for storage capacity that will allow QL to exploit various business opportunities identified in its strategic plan (e.g.:expediting services, back-office operations, training facility, etc...).

QL/QE's preliminary estimated revenues generated for some of the remediation services proposed in this document, which are related to the acquisition of a property (i.e.: Frobuild's (2006) Lot 3), have been estimated to \$8,810,854 over 5 years with a possible Return on Investment of 20%.

The city has many issues with spoil land farming and will need this support as well as private corporations who will need other solutions than piling dangerous or contaminated materials at their site. QL and QE intend to develop those solutions and protocol, QE will provide the waste management logistics and be the subcontractor and QL would be the contractor who would manage the work and contracts

4.1.9 Training and Inuit Capacity Building & Benefits

Helicopter Operations: QL has provided an intensive training contract with Samuel Tilley, in Helicopter ground training in Goose Bay, Labrador. He has spent the 4-5 months training in theory, practical, and



also obtaining flight time. An agreement between Kakivak and Qikiqtaaluk Logistics was signed for this formal training. Samuel started the training program in November 2009 and has completed his helicopter training in August, 2010. Upon completion, Samuel Tilley, resident of Iqaluit, Nunavut is licensed and certified in Helicopter operations. Now, he is a Commercial Helicopter Pilot for the Robinson R22, R44 & Eurocopter A Star S350 helicopters.

Heavy Equipment Operations: Through Qikiqtaaluk Logistics, we have sent 6 trainees to Morrisburg Ontario to be trained in Heavy Equipment Operations. An agreement was signed and funding approval for 152,000.00, for 6 trainees (3 from Clyde River, 2 from Iqaluit, and 1 from Kimmirut.). The course consists of a 10 week training module (5 weeks theory and 5 weeks of practical). Training consists of Loader, Dump truck, and Excavator. Each trainee will be trained and certified on the equipment after completion.

Environmental Monitoring: Funding was approved through HSRDC and Kakivak Association to provide training with the assistance and BEAHR programs in Environmental monitoring in 4 communities for 5 weeks (Pond Inlet, Igloolik, Cape Dorset and Pangnirtung). Preliminary screening and interviews took place the 1st week of March 2010, with assistance provided from the Community Liaison Officers. QL will hire and provide payroll services for the duration of the course for the trainees and the elder guides hired to provide support and guidance to the trainees during the training. A certification and recognition for this training will be recognized across Canada.

4.2 Qikiqtaaluk Properties Inc.

4.2.1 Mission Statement:

The mission of QC is to own and operate “good businesses” that build on the spirit of the *Nunavut Land Claims Agreement* and fulfill the intention to preserve, promote, and protect, employment and career development opportunities for Inuit, while creating meaningful economic. *As a QC’s division, Qikiqtaaluk Properties Inc. shares the same goals and mission. Moreover it is meant to further reinforce the “Inuit Building Capacity and Benefits” aspect of QC’s vision, by developing and maintaining sound and profitable Inuit Real Estate business.*

4.2.2 Key Achievements

QPI has continued to manage and maintain the existing buildings that include residential and commercial properties.

In 2009, QPI leased the suite on the first floor of the former coffee shop from the Igluvut Building to the Baffin Gas Bar. They will operate a delicatessen and serve assorted meats and have coffee and offer lunch specials. The Baffin gas bought the inventory of the previous tenant for the sum of \$20,000.00.

In the autumn of 2009, there was a bomb threat recently at the building next door of the Igluvut and the RCMP asked this building to evacuate. A post evacuation analysis revealed the need to be more diligent on safety matters.

At the same time, QPI has started to prepare to take advantage of the economic opportunities in Iqaluit.

The city is in constant evolution and so there are many opportunities for **Inuit Real Estate** development. For some of them, QC and QPI are very well positioned, which are;

- ▶ **The Inuksugait phase 4** (as an office building);
- ▶ **QC Hotel** (as one of the earliest QC priorities);
- ▶ **Inuit Owned Land Development** (as a priority for developing “Building Inuit Capacity and Benefits”);
- ▶ **The Boreal project** (as a multi lots opportunity for development, already owned by QC);
- ▶ **The Dome lot development** (as a prime commercial location already owned by QIA and leased to QC);
- ▶ **And other projects.**

QPI is currently prioritizing its projects and is planning the investment needed for their realization.

Financial Performance: QPI is still the dependable profit maker of QC and continues to maintain a healthy working capital balance. The company continues to pursue potential commercial developments to increase its holdings and income. There is a large amount of equity available in the value of the two main buildings – the Igluvut and the Parnaivik - that can be used as leverage for investment in one or two new commercial properties. Further information will be provided by the Director of Real Estate.

QIKIQTAAALUK PROPERTIES INC.		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 3,963,798	\$ 3,673,175
EXPENSES (BEFORE INCOME TAXES)	2,939,856	2,954,529
NET INCOME	708,981	532,920
ASSETS	15,577,766	15,913,258
SHAREHOLDER'S EQUITY	15,577,766	15,913,258

Inuit Capacity Building & Benefits: QPI is creating Inuit capacity through its Real Estate assets, and through hiring and training of its human resources.

4.3 Qikiqtaaluk Information Technology Corporation

Mission Statement: The mission of QC is to own and operate “good businesses” that build on the spirit of the *Nunavut Land Claims Agreement* and fulfill the intention to preserve, promote, and protect, employment and career development opportunities for Inuit, while creating meaningful economic. *As QC’s IT division, QITC also shares the same mission. Moreover, it is to understand the needs of IT users and provides cutting-edge technology as the primary supplier of Information Technology (IT) services in Iqaluit and in the Baffin region.*

Financial Performance: QITC became profitable in 2008/2009, however it has faced new difficulties this year. QITC is still providing the best possible services to its clients, but the business model is under review.

QIKIQTAAALUK INFORMATION TECHNOLOGY CORPORATION		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 865,371	\$ 1,060,126
EXPENSES (BEFORE INCOME TAXES)	290,781	297,937
NET INCOME	(250,608)	35,806
ASSETS	377,130	460,367
SHAREHOLDER’S EQUITY	377,130	460,367

4.4 Baffin Gas Limited

Mission Statement: As a wholly-owned QC’s subsidiary, Baffin Gas Ltd shares QC’s mission statement and goal, which is to “Own and operate good businesses that is built on the spirit of the Nunavut Land Claims Agreement and fulfills the intention to preserve, promote, and protect, employment and career development opportunities for Inuit, while creating meaningful economic”. *Moreover, Baffin Gas Ltd essential purpose is to “fulfill the needs of retail customer from Iqaluit community, while providing in time the most targeted service for bringing selected goods and benefits to Nunavut’s communities”.*

Baffin Gas has the competitive advantage over the competitor because of the different variety of products carried in store. The location for Baffin Gas is also an advantage because of the closeness to the sea ice for skidoo accessory business such as fluids, gas and other supplies. The preliminary business plan

In 2009/2010, Baffin Gas Bar continued to grow its regular business and in January 2010 opened the new Deli and Coffee Shop in the Igluvut Building.

The Deli has been very busy with walk in customers as well as catering to special functions. We have had caterings almost every day since we opening and even on days when we are not. The coffee break caterings have been very good for us. We have done a variety of caterings from in the Deli for hockey teams to outside for weekend functions such as curling.

Expansion of current activities include ATM machine, which will encourage additional revenue as people using the service to get cash and they will pay a service fee.

The Gas Bar staff has been working toward getting the warehouses and containers tidy to prepare for the inventory counts. The number of hours required to do a physical inventory has changed greatly over the years. With the increase in sales there is bound to be an increase in the inventory.

We have begun to build a good relationship with those customers and are at a point where they are not asking for quotes because they feel the service is worth the price. We have had many good compliments from people and they are saying that it is a very welcome site to the downtown area.

Financial Performance: Baffin Gas continues to operate without any financial assistance. Results thus far indicate the Deli addition will be a profitable section of this company. Deli sales are exceeding what was expected.

Our current financials show that we are at approximately \$8,031,000 year to date for Baffin Gas. Baffin Deli numbers will be added into these numbers but will be recorded separately for accounting purposes. Overall for 2009 - 2010 we are showing an increase of approximately \$292,704 year to date. These of course are unaudited figures. Increases are spread throughout with the main increase in gas sales.

Since the opening in January 2010 to March 2010, the Baffin Deli sales were approximately \$80,000 on a budget of \$130,000 year to date. These numbers are lower than expected due to the fact the opening was delayed and the main businesses were closed in late December and early January, as well a slow start to getting open because of license issues.

Inuit Building Capacity & Benefits: Baffin Gas and Baffin Deli have currently approximately 25 staff who are mostly students that work different shift throughout the week. The Baffin Deli has trained up to 6 local beneficiaries to be Sandwich Techs. Most of the sandwiches produced at the Deli have been done by our students. We estimate that between the opening date in January 2010 and March 2010, the Deli created and sold between 4,000 to 5,000 sandwiches.

4.5 3379442 Canada Inc.

Mission Statement: (To be approved) *3379442 Canada Inc. is a shell company to be used for specific large industrial projects or Public-Private Project development (3Ps) that require a distinct corporate and financial structure, and to create Inuit Building Capacity.*

Sectors of Activity: 3379442 Canada Inc. was the developer, financier and project manager of the Qikiqtani General Hospital Project that was a \$62M project consisting of the construction of a new 2 storey Class 'A' acute care hospital adjacent to the existing Baffin Regional Hospital.

Key Achievements: From 2001 to February 2008, QC/337 has been coordinating the activities for the construction of the hospital through all the phases: design, financing, site and municipal engineering, construction, and final commissioning. The Qikiqtani General Hospital (QGH) has been officially open at the end of the year 2007.

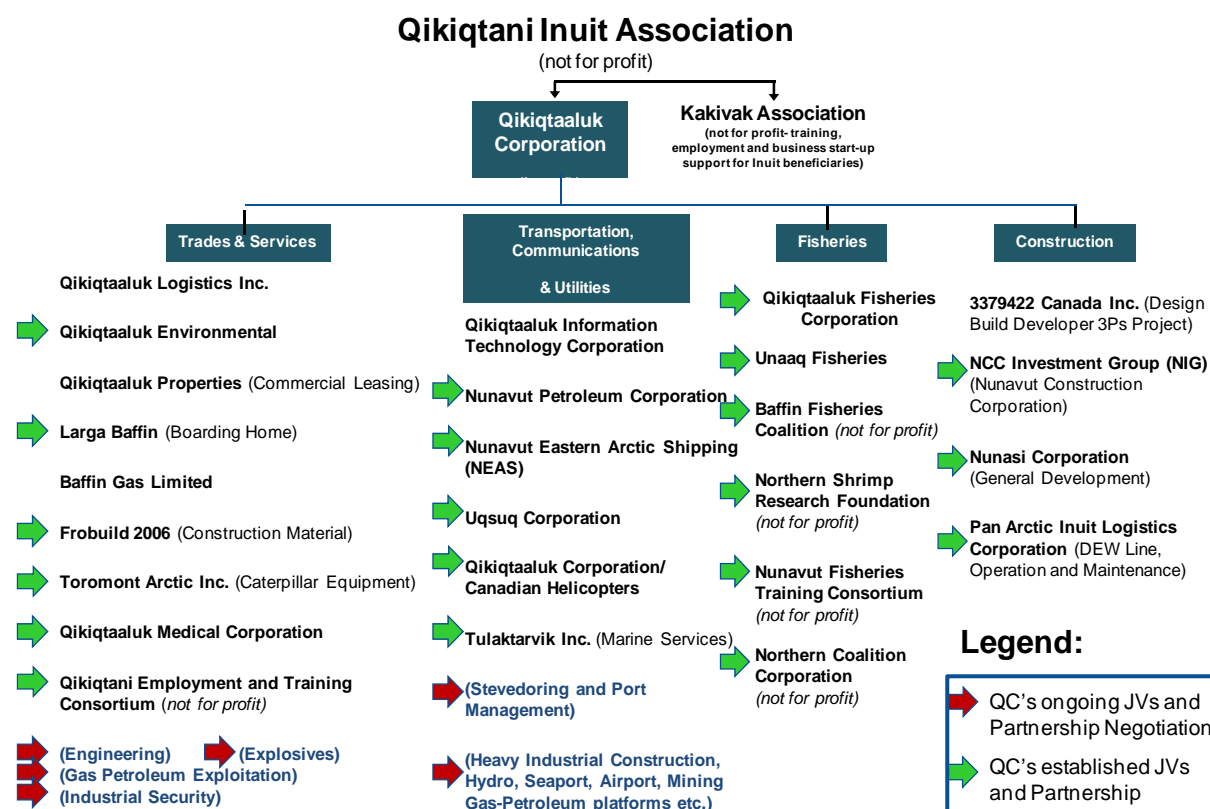
Financial Performance: 3379442 Canada inc. is not a usual company as it was created mainly to build the Qikiqtani General Hospital. This created uneven revenues and income throughout the years. Overall the company has provided a better than industry average return on revenues while using more equity to do their business than the industry. In 2009, the company delivered the hospital and sold it to GN, losing therefore most of its revenues. It is now more or less a dormant company awaiting new projects.

3379442 CANADA INC.		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 35,470	\$ 40,588
EXPENSES (BEFORE INCOME TAXES)	35,470	40,588
MANAGEMENT FEES (PART OF EXPENSES)	(11,014)	8,686
NET INCOME	0	0
ASSETS	262,785	1,432,452
SHAREHOLDER'S EQUITY	262,785	1,432,452

Building Inuit Capacity & Benefits: The hospital project developed and administrated by QC/337 represented a major breakthrough for the company and Nunavut, being the first large scale Public-Private Partnership project in Nunavut. Through QC/337, the project built Inuit development capacity and financing credibility with the banking system.

5 Joint-Venture Reports: 51% QC Owned Joint-Ventures

Qikiqtaaluk Corporation: Subsidiaries and Joint Ventures (Forecast for Dec. 2010, including New Joint-Ventures)



5.1 Qikiqtaaluk Fisheries Corporation

Mission Statement: (To be approved) *QFC has the mission to harvesting the QC fishing allocations through its owned vessel and crew. QFC aim to develop the Inuit capacity and benefits in the Fishery sector.*

In 2005, QC has created a new partnership with Nataaqnaq and purchased the **MV Saputi vessel**, a 51% interest in the fishing vessel as well as a 51% interest in the new fishing company, **Qikiqtaaluk Fisheries Corporation (QFC)**. QC is the corporation that manages the current commercial quotas for NAFO division 0A and 0B Turbot from NWMB and. QFC has a 500metric tons Turbot quota for division 0A and has been able to increase its 0B Turbot quota to 590 metric tons for 2010 and the upcoming years.

Key Activities: In its fourth year of full operations, Qikiqtaaluk Fisheries Corporation shrimp revenues appear to be on track. Between January and March 2010, Saputi completed 4 shrimp fishing trips, harvesting close to 1.4t of shrimp:

Trip	Shrimp Fishing Area	Total Harvest
2101	SFA 7	360,004kg
2102	SFA 5	347,055kg
2103	SFA 6	286,594kg
2104	SFA 5	345,567kg
Total Harvested		1,339,220kg

Fish Quotas

In 2009, fish quotas sub-allocated by NWMB were divided into the offshore and inshore sector and further divided into areas. In the Nunavut turbot fishery, the 2009 allocations were as follows (in metric tonnes):

Quota Recipient	Total
Baffin Fisheries Coalition	4,200
Pangnirtung/Cumberland Sound Fisheries	2100
Arctic Fisheries Alliance	1,260
Qikiqtaaluk Corporation	840
Fisheries Development	100
Total	8,500

In the Nunavut shrimp fishery, the 2009 allocations are as follows (in metric tonnes):

Quota Recipient	Total
Baffin Fisheries Coalition	3,421
Pangnirtung/Cumberland Sound Fisheries	2,050
Total	5,471

Recently, the turbot quota in the OB turbot fishery was increased by 1,500 metric tonnes. The Minister of Fisheries and Oceans allocated 1,350mt to Nunavut and the remaining 150mt to Makivik Corporation.

Peter Keenainak prepared a successful quota application on behalf of QFC from this extra allocation to Nunavut for the turbot season starting in April/May 2010.

In March, 2010, the NWMB submitted their recommendations to the Minister of Fisheries and Oceans on the 1,350 OB turbot quota increase.

In March 2010, QFC was confident that our OB turbot quota allocation would be significantly increased.

In Spring 2010, QFC received the OB turbot quota from the Department of Fisheries and Oceans from 140 metric tonnes to 590 metric tonnes, which is a 400% increase of the turbot quota in NAFO Division OB for QC.

In addition, QFC, through Peter Keenainak, participated jointly with QC on a proposal for a harbour feasibility study in Qikiqtarjuaq.

Financial Performance: Qikiqtaaluk Fisheries Corporation had total revenues of \$15,071,975.00 compared to \$16,642,296 the previous year. 60percent or \$9.0million were from shrimp quotas and 40% or \$6.0million were from turbot quotas.

A total of \$3.3million in salaries and benefits was paid to the fishermen same from the previous year. Maintenance and repairs increased considerably from \$724,000 previous year to \$1.6million primarily due to the Saputi undergoing major refit which was paid from cash-flow.

Gross profits were down to \$2.8million compared to \$5.1million the previous year while general and administrative expenses increased substantially from \$517,000.00 to \$1.8million reducing the income from operations from \$4.5million the previous year to just over \$1.0million.

Net income was reduced from \$3.1million to just \$124,000 while the company had a closing balance of \$2.1million compared to 2.0million the previous year.

QIKIQTAALUK FISHERIES CORPORATION		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 15,071,975	\$ 16,642,296
EXPENSES (BEFORE INCOME TAXES)	13,992,468	12,044,266
MANAGEMENT FEES (PART OF EXPENSES)	1,713,155	455,080
NET INCOME	123,892	3,186,670
ASSETS	14,823,914	14,607,139
SHAREHOLDER'S EQUITY	14,823,914	14,607,139

Business Planning: The revision and update of the current business plan of Qikiqtaaluk Fisheries Corporation has been initiated at the beginning of 2010. Peter Keenainak had an initial meeting with Kakivak Association and Aboriginal Business Canada representatives to review potential funding sources to develop a business plan and to potential assistance in increasing QC's ownership position in Qikiqtaaluk Fisheries Corporation.

5.2 Qikiqtaaluk Environmental -

Mission Statement: (to be approved) *To focus primarily on environmental project in order to become a leader in waste management and site remediation within Nunavut.*

Qikiqtaaluk Environmental (QE) was established in 2004, a 51/49 joint venture with Sinanni Inc, the Montreal-based environmental engineering firm with whom QC has been working since 1997.

Cape Christian, Remediation Project: In 2009/2010, QE has carried out the remediation project at Cape Christian. The project is scheduled to be finalized by October 2010. Since this project has been implemented in collaboration with QL, the project description was included under QL.

Other QE projects included:

- ▶ Qulliq Energy – Contract for Waste Product Disposal Power Plants from 25 communities in Nunavut.
- ▶ Environmental Careers Organization Canada – preparation of instructional Material for a four week session to become Contaminated sites Remediation Contractors
- ▶ Public Works and Government Services Canada – Hazardous waste disposal- all federal departments
- ▶ Government of Nunavut – call up for the assistance to the department of Environment, Environmental protection division on various issues
- ▶ Baffinland – inventory, preparation of a waste management plan and implementation of the management plan.
- ▶ Baffinland – Disposal of waste and hazardous waste from Mary River and Milne Inlet
- ▶ Norwegian Space Agency – disposal of lithium waste from the crashing of a module in Simirlik Park.
- ▶ Agnico Eagle – packaging and labeling of hazardous waste at the mine site near Baker Lake.

Inuit Capacity Building & Benefits: QE and QL had over 90% Inuit content on their Remediation project at Cape Christian this year.

As part of the consultation with the hamlet of Clyde River, at the residents' request, QE/QL has started installing a permanent bridge and upgrading the 10km long access to the road, outside of the scope of work for the Cape Christian Remediation Project.

At the end of the project all of the permits for the road and the bridge will be turned over to the community giving them ownership and control of the bridge and the road for the remainder of its lifetime.

QE/QL were also responsible for the construction of a new fish habitat to compensate for the existing fish habitat that will be altered or lost at the different locations where the road passes over fish bearing waters.

Financial Performance:

QIKIQTAAALUK ENVIRONMENTAL INC.		
FINANCIAL STATEMENTS		
FOR THE YEAR ENDED MARCH 31, 2010		
	2010	2009
REVENUE	\$ 1,584,883	\$ 1,037,113
EXPENSES (BEFORE INCOME TAXES)	1,412,167	998,383
NET INCOME	123,248	26,062
ASSETS	454,325	285,172
SHAREHOLDER'S EQUITY	454,325	285,172

5.3 Qikiqtaaluk Medical Corporation -

Mission Statement: (to be approved), *QMC offers medical support and training services across Nunavut with the goal of generating profits while developing local capacity through the hiring and training of an Inuit workforce.*

- Medical support is offered through the hiring and placement of nurses and paramedics and first aid attendants required on remote work sites
- Training provided to groups and individuals who want to acquire first-aid and related skills to respond to emergencies in remote regions

Key activities:

The joint-venture between QC and Sirius Wilderness Medicine, Qikiqtaaluk Medical Corporation (QMC), was signed in August 2009. QMC offers Medic and Nurses services, and Training to industries operating in Nunavut, including First Aid Certification and Wilderness Readiness Certification (survival/emergency equipment usage, helicopter safety, search & rescue, etc.).

Since January 2010, QMC has been actively looking for new contract opportunities in Nunavut.

Despite the marketing efforts and the official approaches to Baffinland Iron Mines Corporation, no official request for medical staff was received from Baffinland in 2009/2010.

5.4 Tulaktarvik Inc. -

Mission Statement: (to be approved) *To build Inuit Capacity and Benefits, Tulaktarvik, a for profit corporation, provide ice-class harbour tugs, barges for cargo and for marine undertakings and works, underwater interventions, top-side ship repairs, ship construction, dredging, temporary wharf solutions and platform construction for Nunavut communities and the mining industry.*

Tulaktarvik is a joint-venture between QC/Sikku (51%) and Ocean Group/Imaq 49%).

Key activities:

The joint-venture between QC/Sikku and Ocean Group/Imaq has been completed on March 5, 2010.

In July 2009, Fisheries and Oceans Canada granted Ocean the contract to build a floating wharf for the fishing community of Pangnirtung. Ocean's personnel worked around the clock to build the 10 sectional barges that would make up the 300-long floating wharf.

In addition, QC and Ocean Group have signed service agreements with Tulaktarvik to support Tulaktarvik's activities.

Tulaktarvik intend to present a Inuit Building Capacity & Benefits Plan and a Business Plan in the coming months. As the newly established joint-venture, Tulaktarvik is bound to combine the know-how of Ocean with the Northern experience of Qikiqtaaluk, making available proven solutions to contribute to the marine development in the unique conditions of the Arctic.

Tulaktarvik aims to provide specialized marine services for communities and heavy industrial projects in Nunavut, including:

- ▶ Floating Wharves
- ▶ Harbour Towing & Ship Escort
- ▶ Tug & Barge Short Sea Shipping
- ▶ Shipbuilding & Ship Repair
- ▶ Harbour Dredging & Environmental dredging
- ▶ Marine Equipment Rental for infrastructure Construction

6 Joint-Venture Reports: less than 51% QC Owned Joint-Ventures

6.1 Qikiqtani Employment and Training Consortium

The Qikiqtani Employment and Training Consortium was formed by the Qikiqtani Inuit Association, Kakivak Association, Baffinland Iron Mines Corporation and Qikiqtaaluk Corporation on December 22, 2008. QETC's initial mission was to provide training and employment opportunities for the Mary River Project.

After the successful implementation of the pilot project for the training of 10 men from Igloolik as diamond drill helpers in Newfoundland in the spring of 2009, the Consortium started putting together a proposal for a large project regarding the training of 200 men and women from Nunavut for the Mary River project.

Since the project required significant investment from all partners and Baffinland Iron Mines Corporation has significantly reduced their activities and investment for the time being, the submission of the proposal for federal funding has been postponed.

We are currently looking to expend QETC's object of activity, to provide training and employment opportunities not only for the Mary River Project, but for all mining and industrial development companies interested in participating to this initiative.

6.2 Pan Arctic Inuit Logistics Corporation

PAIL is a joint venture between Nunasi Corporation, Makivik Corporation, Inuvialuit Development Corporation, Labrador Inuit Development Corporation, Kitikmeot Corporation, Sakku Investment Corporation and Qikiqtaaluk Corporation. The intent and purpose of PAIL is to monitor the contract for the operation and maintenance of the North Warning System on behalf of the Inuit owners.

Over the past three years PAIL, and its operating partner Atco Frontec, have been in negotiations with Public Works and Government Services Canada about extending and possibly renewing the North Warning contract.

6.3 Unaaq Fisheries

Unaaq Fisheries is administered by Makivik Corporation. No significant changes in the operation of Unaaq Fisheries could have been identified as regular reports are not provided to the shareholders. QC continues to receive its' royalty on a monthly basis.

As part of QC governance initiatives, the QC Board of Directors has the intention to nominate a QC Board member to the Board of Unaaq Fisheries.

6.4 Baffin Fisheries Coalition

The members of the Baffin Fisheries Coalition met March 10 and 11, 2010 in Iqaluit. The highlights of the March meeting included the following:

- ▶ Jacopie Maniapik was elected to the position of Vice-Chairman replacing Malikto Lyta;
- ▶ Kimmirut HTO member nominee Mikidjuk Kolola was approved;
- ▶ Royalty and profit sharing proposed amendment were approved;
- ▶ All outstanding royalty amount were resolved;
- ▶ The consolidated statement of BFC and Niqitaq fisheries to year ending March 31, 2009 were approved;
- ▶ The Board approved to pursue the use of a foreign vessel in the shrimp fishery in areas adjacent to Nunavut.

As part of QC governance initiatives, the QC Board of Directors have the intention to nominate a QC Board member to the Board of the Baffin Fisheries Coalition.

6.5 Northern Coalition

Northern Coalition is a not-for-profit organization whose members include Qikiqtaaluk Corporation, Makivik Corporation, Unaaq Fisheries, Torngat Fish Producers, Labrador Fishermen's Union Shrimp Company Limited, and the Labrador Inuit Development Corporation/Nunatsiavut Government.

Collectively, the member organizations secured 6,120 metric tonnes of shrimp quota in Shrimp Fishing Area 5. The quota allocated to the Northern Coalition is shared equally by the members – in the case of QC, 874metric tonnes.

6.6 Northern Shrimp Research Foundation

All of the 17 offshore Northern Shrimp Licence holders formed a not for profit group, the Northern Shrimp Research Foundation. Study areas included Shrimp Fishing Areas 2, 3 and 4.

The members of the Foundation decided in 2009/2010 to extend the study for a further five year. This will mean an annual financial commitment of approximately \$42,000.00 per year if the Board of Directors of QC wishes to continue participating.

Northern Shrimp Advisory Committee

The 17 northern shrimp licence holders that includes Qikiqtaaluk Corporation and other organizations such as the Baffin Fisheries Coalition and the Qikiqtani Inuit Association are members of the Northern Shrimp Advisory Committee. The committee meets annually to generally discuss northern shrimp stock management and various management issues such as quotas, management principles, access to quotas, stock assessments, conservation, and exploratory fishery. The advisory committee works on the basis of consensus and makes recommendations to the Minister of Fisheries and Oceans.

Nunavut Fisheries Training Consortium

The Nunavut Fisheries Training Consortium met on February 24, 2010 at the QC Boardroom in Iqaluit. Highlights of the meeting:

- ▶ A plaque for smart classroom is to be presented to the initial sponsors of NFTC;
- ▶ Policy changes related to CPP, overtime, and procurement were approved;
- ▶ Fishermen retention
- ▶ Training schedule for 2010-2011 was discussed;
- ▶ 2010-2011 administration and program budget was presented;
- ▶ SIP Funding expired March 31, 2010, NFTC will apply for SVOP and train the trainer courses.

Nunavut Fisheries have also been organizing the second Nunavut Fisheries Symposium to be held in Iqaluit in April 2010.

6.7 Transport Umialirik Inc.

Transport Umialarik Inc. was formed on May 18, 2000 to purchase the vessel known as the *MN Umiavut*. In order to accomplish this, Two Million One Hundred (\$2,000,100) was invested by Nunavut Umiaq Corporation (a corporation which was owned by Qikiqtaaluk Corporation, Sakku Investments Corp. and Makivik Corporation) towards the purchase with Transport Nanuk Inc. also investing the same amount.

Nunavut Umiaq Corporation was voluntarily dissolved on July 27, 2007.

As the vessel is the main asset of Transport Umialarik Inc. which is in itself owned 50%- 50% by Transport Nanuk Inc. with the remaining 50% owned equally among Qikiqtaaluk Corporation, Sakku Investments Corporation and Makivik Corporation, any decision involving the relationship of the parties in Nunavut Eastern Arctic Shipping Inc. must also consider the effect of the same on Transport Umialarik Inc. and on the said company's main asset, the *M/V Umiavut*.

6.8 Nunavut Eastern Arctic Shipping Inc. (NEAS)

On March 2010, Lynn Kilabuk - QC's Vice-President and Director on NEAS Board of Directors-, reported that the Nunavut Eastern Arctic Shipping board has not had a meeting since August 2009.

NEAS has been actively playing its role of the sealift carrier in all the local communities across Nunavut. NEAS provides an excellent service in a very competitive market. Each Arctic sealift season, which runs from July to November, NEAS reliably delivers sealift, container, packaging and marshalling services for individuals, local communities, businesses, housing authorities, construction projects, and government departments and agencies across the Arctic.

The *MV Avataq* successfully delivered the cargo for its customers in 2009, which was a difficult journey, but the team of professionals at NEAS worked with many stakeholders at the local and federal level to make it happen.

NEAS has been lobbying for community marine infrastructure in the North as well. There are a lot of challenges and fundamental needs to be addressed and fulfilled by NEAS as the driving force for marine infrastructure in the North.

6.9 Toromont Arctic Ltd

Toromont Arctic is a joint venture between Qikiqtaaluk Corporation, Sakku Investment Corporation, Kitikmeot Corporation and Toromont Cat.

Toromont Arctic Ltd was set up to sell, rent, and provide customer support services for new and used equipment.

6.10 Nunavut Investment Group Inc. (NIG) (NCC)

Qikiqtaaluk Corporation, Sakku Investments Corporation, Kitikmeot Corporation and Nunasi Corporation are the owners of NCC Investment Group.

The main project now underway between QC and NIG/NCC is the construction of the Inuksugait Plaza Phase IV, an office building in Iqaluit.

6.11 Nunasi Corporation

Nunasi Corporation met on March 17 and 18, 2010 in Yellowknife, NT. The Board of Directors concentrated on what the strategy will be for the next couple of years as it has been a bad year for Norterra which Nunasi owns 50% of with Inuvialuit Development Corporation. The biggest impact was from Canadian North, NTCL and NIS. These divisions have not done well with the downturn of the world economy and mineral or gas development. The theme was to trim expenses but not at the expense of doing business and optimize on subsidiary companies making profits or get shareholder loans paid back to Nunasi. Nunasi is also evaluating all of their assets around Nunavut to either sell or joint venture with adjacent development corporation to partner with.

Inuit Capacity Building & Benefits: Nunasi, effectively collaborating with Inuvialuit Development Corporation (IDC), has been offering Arctic Youth Leadership (AYL) Program for years. The program is designed to offer opportunities for cultural exchange and personal skills, communication and successes building. Nunasi and IDC have been constantly looking for ways to improve the AYL program while maintaining their integrity and building on the success of previous years. In 2009, nine students successfully completed the AYL expedition on the leadership training on the Horton River from July 6 to July 20, 2009.

6.12 Frobuild (2006) Ltd.

Frobuild depends heavily on annual sealifts to re-supply commercial and retail customers. The incident with the sealift from 2008/2009 returning to Valleyfield, Quebec, with majority of its supplies, created major supply problems and additional expenses of flying material in to Iqaluit.

In 2009, a couple of changes have been implemented at the store and with respect to the personnel. The General Manager, Jacques Deschenes, was let go. Since then, the President Chris West has implemented a three person reporting structure which consists of the Controller, Store Manager and Yard Manager. Between the three people, the operations have a check and balance to ensure the inventory and sales are targeted for this year to ensure we break even with \$5 million in sales.

The installation of the new accounting system, the operation problems and the reconciliation of inventory counts has meant that a portion of QC's accounting staff has had to dedicate a good portion of working hours to this company. Also, the bank and the shareholders have been very demanding in their requests for financial information reporting.

6.13 Nunavut Petroleum Corporation - UQSUQ

Nunavut Petroleum Corporation has not had a meeting in about a year and a half until early in 2010 when QC signed the Annual General Meeting material to waive a meeting and approve a management fee of \$50,000.00 each to the two shareholders, Qikiqtaaluk Corporation and Nunasi Corporation. Nunavut Petroleum Corporation is hoping to supply another Management fee to the shareholders before the end to the year.

6.14 Larga Baffin Ltd.

Baffin Larga Ltd. – Larga Baffin has had a very good year in 2009/2010. The company was able to finish the construction of the new residence in Ottawa and pay a total of \$450,000.00 in management fees to QC (\$250,000.00) and Nunasi (\$200,000.00) in the same year.

On March 16, 2010, Baffin Larga's Board identified the need to expand on the existing building, as well as the current constraints on the building not having a chapel and bibles available in each room. Due to decisions made during construction of keep in budget the room slotted for the chapel became the boiler room. Larga Baffin General Manager is working with the local Anglican Church to provide bibles at the residence.

Larga Baffin also intends to send a letter to Government of Nunavut Health and Social Services department regarding the fact the number of people referred to Larga Baffin exceeds the existing capacity. When Larga built the building and signed a 20 year contract with the Government of Nunavut (GN), it was agreed that GN would secure 70% occupancy in the 80 bed

facility. Currently they are sending between 60 – 120 people on average, which is over the approved limit. Larga Baffin Board have to make a decision if we should start turning people down or look at the billing structure to ensure the company remains profitable and serves Inuit well.

7 ANNEXES

7.1 QC Board and Staff List

BOARD OF DIRECTORS

Chairperson	George Qulaut
Vice-Chairperson	Moses Appaqaq
Director	Ludy Pudluk
Director	Loseosie Paneak
Director	Joe Arlooktoo

Staff

OFFICERS

President	Harry Flaherty
Vice President	Lynn Kilabuk
Secretary Treasurer	John Baker

EXECUTIVE

Corporate Secretary	Vacant (after the departure of Nikki Eegeesiak in March 2010)
Receptionist	Nala Sagiatuk

FINANCE DIVISION

Director of Finance	John Baker
Controller	Greg Lindsay
Assistant Controller	Monica Cousins
Finance Officer/Bookkeeper	Fiona Hunt
Finance Clerk	Harry Pearce

REAL ESTATE DIVISION

Director, Real Estate	Johnny Kolola
Client Services Administrator	Bernice Neufeld
Property Administrator	Napatchie DeCouto
Property Maintenance	Mark Pitseolak
Property Maintenance	Sam Curley

PROPERTY ASSESSMENT DIVISION

Contract Property Assessor	Gerry Towns
Property Assessor	Jody Baldwin
Senior Property Assessment Technician	Vacant
Property Assessment Technician	Brenda Kilabuk

ENVIRONMENTAL SERVICES DIVISION

Director of Projects	Harry Flaherty
Project Coordinator	Jeremiah Groves

QIKIQTAAALUK LOGISTICS INC.

Project Manager	Jeremiah Groves
Project Coordinator	Caroline Rennie
Expeditor Coordinator	Jonasie Naulaq
Office Administrator/Expeditor	Tudja Noah
Expeditor	Alex Choquette

MARINE DEVELOPMENT DIVISION

Director of Operations

Peter Keenainak

RETAIL DIVISION

Manager of Retail Operations

Chris West

Manager of Baffin Gas Ltd.

Dallas LeTemplier

Assistant Manager

Doug Verge

QIKIQTAAALUK INFORMATION TECHNOLOGY CORPORATION (QITC)

Chief Operating Officer

David Fulgham

Office Administrator

Emily-Ann Aoudla-Henrie

Senior Technician/Infrastructure Technician

Graham Scott

Senior Technician

Brian Chown

Junior Technician

Andrew Beveridge

Junior Technician

Adam Jewis

QIKIQTANI GENERAL HOSPITAL PROJECT

Hospital Project Manager

Yves-Andre Bureau

INVESTMENT ADVISORY COMMITTEE

Terry Audla

John Baker

Alain Dubuc

Nikki Eegeesiak

Peter Keenainak

Lynn Kilabuk

Greg Lindsay

Gordon Miles

Robert St-Eloi

Glenn Cousins

MINING INVESTMENT REVIEW COMMITTEE

Peter Keenainak

Lynn Kilabuk

Harry Flaherty

John Baker

Terry Audla

Robert St-Eloi

Harvey Sands

Cal Mark

Brian McLeod

ADVISORS

Legal Counsel

Alain Dubuc

Mike Osland

Auditors

Mackay Landau

Management Advisor and Operational Support

YAB Management

7.2 Consolidated Financial Statements

QC 2010 Financial Statements

QL 2010 Financial Statements

QPI 2010 Financial Statements

QITC 2010 Financial Statements

3379442 Canada Inc. Financial Statemetns

QFC 2010 Financial Statements

QE 2010 Financial Statements