

COVER SHEET - FINANCIAL STATEMENTS – Fiscal Year 2005-2006

**Nunavut Broadband Development Corporation and
NBDC Inc.**

Nunavut Broadband Development Corporation is a not-for-profit corporation controlled by members who must be residents of Nunavut. A majority of these members must be beneficiaries under the Nunavut Land Claim Agreement. The financial statements for this parent corporation are attached.

NBDC Inc. is a wholly owned subsidiary of Nunavut Broadband Development Corporation. This subsidiary was created to hold the assets of the QINIQ network and to allow GST to be fully reclaimed. NBDC Inc. is recognized as an Inuit corporation. The financial statements for this subsidiary are attached.

Grants and contributions from governments, land claim organizations and other contributors may be made directly to the parent corporation, Nunavut Broadband Development Corporation or to the subsidiary NBDC Inc. dependent on the requirements of the contributor. For operational purposes, most of the grants and contributions received by the parent organization are immediately transferred to NBDC Inc. for execution of the various projects.

The fiscal year end for both organizations is March 31 to match the fiscal year of our primary contributors. As of the year end March 31, 2006, our main infrastructure project, building the QINIQ network was complete and the network was operational.

Lorraine Thomas
Secretary –Treasurer
March 1, 2007

**NUNAVUT BROADBAND
DEVELOPMENT CORPORATION
NON-CONSOLIDATED
FINANCIAL STATEMENTS
MARCH 31, 2006**

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
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MARCH 31, 2006

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AUDITORS' REPORT

To the Members of
Nunavut Broadband Development Corporation

We have audited the non-consolidated statement of financial position of Nunavut Broadband Development Corporation as at March 31, 2006 and the non-consolidated statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements have been prepared on a non-consolidated basis for management purposes. These financial statements are the responsibility of 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 non-consolidated financial statements present fairly, in all material respects, the financial position of Nunavut Broadband Development Corporation as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2 to the non-consolidated financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Members of Nunavut Broadband Development Corporation. The non-consolidated financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Iqaluit, Nunavut
July 24, 2006

CHARTERED ACCOUNTANTS

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
REVENUE		
Industry Canada	\$ 10,834	\$ 3,885,000
Indian and Northern Affairs Canada	597,518	506,027
Agri-Food Canada	0	14,911
Government of Nunavut	1,143,000	579,631
Kakivak Association	12,420	15,000
Kitikmeot Economic Development Corporation	0	20,000
Kivalliq Partners in Development	0	38,029
Contributions in kind	0	1,617,000
Other contributions and fees	0	3,443,539
	1,763,772	10,119,137
EXPENSES (Page 3)	1,768,187	10,139,254
EXCESS EXPENSES	\$ (4,415)	\$ (20,117)

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NON-CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
EXPENSES		
Application Development		
Computer hardware	\$ 205,938	\$ 9,039,570
Computer software	4,200	0
Design and development	380,362	0
Marketing and promotion	83,988	38,350
Project management	302,468	0
Research	58,440	0
Training	36,306	0
Web site development	5,670	0
	<u>1,077,372</u>	<u>9,077,920</u>
General and Administrative		
Bank charges and interest	229	1,069
Freight	5,565	0
Interest on long term debt	32,199	32,995
Rent	17,790	18,172
Repairs and maintenance	2,444	0
Utilities	1,206	0
Recruiting	3,668	0
Miscellaneous	1,892	0
	<u>64,993</u>	<u>52,236</u>
Office		
Office supplies	8,206	29,966
Telephone and internet	17,076	7,929
Translation	7,005	885
	<u>32,287</u>	<u>38,780</u>
Professional Fees		
Accounting	25,500	69,750
Audit	38,210	27,188
Legal	71,534	94,628
Management	2,902	0
Project consulting	123,227	323,107
	<u>261,373</u>	<u>514,673</u>
Salaries and Wages		
Salaries and wages	53,635	129,740
Sub-contractors	106,846	209,550
	<u>160,481</u>	<u>339,290</u>
Travel and meetings - administrative	<u>14,848</u>	<u>2,633</u>
Travel and meetings - projects	<u>156,833</u>	<u>113,722</u>
	<u>\$ 1,768,187</u>	<u>\$ 10,139,254</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NON-CONSOLIDATED STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
BALANCE, OPENING	\$ (114,835)	\$ (94,718)
Excess expenses	<u>(4,415)</u>	<u>(20,117)</u>
BALANCE, CLOSING	<u>\$ (119,250)</u>	<u>\$ (114,835)</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2006

	2006	2005
<u>ASSETS</u>		
CURRENT		
Cash	\$ 141,840	\$ 1,964
Accounts receivable (Note 3)	819,618	570,253
	961,458	572,217
DUE FROM NBDC INC. (Note 4)	0	2,081,190
INVESTMENT IN NBDC INC. (Note 5)	100	100
	\$ 961,558	\$ 2,653,507
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued liabilities	\$ 158,599	\$ 2,768,342
Due to NBDC Inc. (Note 4)	922,209	0
	1,080,808	2,768,342
<u>NET DEFICIT</u>		
UNRESTRICTED FUND	(119,250)	(114,835)
	\$ 961,558	\$ 2,653,507

APPROVED BY THE BOARD:

_____ Director

_____ Director

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NON-CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Excess expenses	\$ (4,415)	\$ (20,117)
Cash provided by (used for) changes in non-cash working capital:		
Accounts receivable	(249,365)	(547,285)
Accounts payable and accrued liabilities	<u>(2,609,743)</u>	<u>2,649,244</u>
	<u>(2,863,523)</u>	<u>2,081,842</u>
INVESTING ACTIVITIES		
Due to (from) NBDC Inc.	3,003,399	(2,081,190)
Investment in NBDC Inc.	<u>0</u>	<u>(100)</u>
	<u>3,003,399</u>	<u>(2,081,290)</u>
INCREASE IN CASH	139,876	552
CASH, OPENING	<u>1,964</u>	<u>1,412</u>
CASH, CLOSING	<u>\$ 141,840</u>	<u>\$ 1,964</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. NATURE OF THE ORGANIZATION

The Nunavut Broadband Development Corporation was incorporated under the *Canada Corporations Act* on November 1, 2002. The purpose of the Corporation is to facilitate the development, growth and availability of satellite-based communication technology (broadband) within Nunavut for the public, including, without limitation, for the use by local governments, community groups, non-governmental organizations, private sector businesses and individual residents of Nunavut.

The Corporation is a not-for-profit organization and is exempt from income tax under Sec. 149(1)(l) of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for the year involves the use of estimates and approximations that have been made using careful judgement. Actual results could differ from those estimates and approximations. These non-consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Non-consolidated Financial Statements

Non-consolidated financial statements have been prepared for management and income tax purposes. As these non-consolidated financial statements have not been prepared for general purposes, some users may require further information. Consolidated financial statements have been prepared. These statements materially differ from Canadian generally accepted accounting principles because they are prepared on a non-consolidated basis.

Investments are stated at cost. Earnings from the investments are recognized only to the extent dividends are received or receivable.

(b) Fund Accounting

The General Fund represents unrestricted resources and accounts for the company's general operating and administrative activities.

(c) Revenue Recognition

The company follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions in kind are recorded at their estimated fair value at the

date of contribution, where the value can be reasonably estimated.

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial Instruments

The company's financial instruments consist of cash, accounts receivable, due to/from NBDC Inc., investment in NBDC Inc., and accounts payable and accrued liabilities. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

3. ACCOUNTS RECEIVABLE

	2006	2005
Industry Canada	\$ 61,567	\$ 388,500
Indian and Northern Affairs Canada	594,530	50,603
Agri-Food Canada	0	15,000
Government of Nunavut	153,677	93,177
Other	9,844	22,973
	\$ 819,618	\$ 570,253

4. DUE TO/FROM NBDC INC.

Amounts due to/from NBDC Inc., a wholly owned subsidiary, are non-interest bearing, unsecured and have no specified terms of repayment.

5. INVESTMENT IN NBDC INC.

	2006	2005
Investment in 100% of the outstanding common shares of NBDC Inc., at cost.	\$ 100	\$ 100

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

6. RELATED PARTY TRANSACTIONS

During the year, the company entered into the following transactions with officers and directors of the company:

	<u>2006</u>	<u>2005</u>
Consulting fees and subcontracts expense	\$ <u>212,450</u>	\$ <u>209,550</u>

As at March 31, 2006, \$91,480 (2005 - \$91,480) was due to officers and directors of the company.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established by the related parties.

7. ECONOMIC DEPENDENCE

The company receives the majority of its funding from the Governments of Canada and Nunavut. Without continued funding from the Governments of Canada and Nunavut, it is unlikely the company's operations would be able to continue.

8. COMMITMENTS

The company has guaranteed two demand loans from Nunavut Business Credit Corporation to NBDC Inc., a wholly owned subsidiary. At March 31, 2006, the balances were \$776,429 and \$223,402.

The company has guaranteed financing of up to \$2 million in debt and \$1 million in equity from Atuqtuarvik Corporation to NBDC Inc., a wholly owned subsidiary. At March 31, 2006, NBDC Inc. has not accessed the available financing.

During the year, the company signed a share purchase option agreement. The agreement grants SSI Micro Ltd. the sole and exclusive option, irrevocable until the expiry or other termination of the Network Agreement, which is the earlier of March 31, 2019 and the end of the commercially useful life of the Network Property, to purchase all, but not less than all, of the issued shares in the capital stock of the company's wholly owned subsidiary, NBDC Inc., which currently consists of 100 common shares, for an aggregate price equal to the amount of all debts and other obligations of the company and NBDC Inc., including without limitation, all obligations secured by Permitted Encumbrances, as defined pursuant to the Network Agreement, plus one dollar (\$1.00). Provided that any such purchase will not contravene any term, condition or restriction, express or implied, of any Permitted Encumbrances, the IC Contribution Agreement, or the NSI Contribution Agreement as such terms are defined by the Network Agreement.

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

9. SUBSEQUENT EVENTS

In the 2007 fiscal year, the company subscribed for all the issued share capital of Qiniq Inc. The company plans to transfer operations of the Qiniq Network and the "Qiniq" trademark from NBDC Inc. to Qiniq Inc.

10. COMPARATIVE AMOUNTS

Certain 2005 financial statement amounts have been reclassified to conform to the financial statement presentation adopted in the current year.

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
SCHEDULE OF OPERATIONS BY ACTIVITY
FOR THE YEAR ENDED MARCH 31, 2006

	<u>Visitor Access</u>	<u>Security Monitoring</u>	<u>Portable Container</u>	<u>Low Cost Workstation</u>	<u>Video Conferencing</u>
REVENUES					
Industry Canada	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Indian and Northern Affairs Canada	200,000	100,000	15,000	25,000	25,000
Government of Nunavut	0	0	35,000	25,000	75,000
Kakivak Association	0	0	0	0	0
	200,000	100,000	50,000	50,000	100,000
EXPENSES					
Application Development					
Computer hardware	58,460	57,490	16,704	22,800	9,872
Computer software	2,360	0	0	0	0
Design and development	51,840	21,160	24,500	7,200	42,024
Marketing and promotion	33,769	0	2,300	0	625
Project management	33,245	14,979	6,700	6,700	36,643
Research	0	3,360	0	9,920	1,140
Training	8,150	0	0	0	6,659
Web site development	0	0	0	0	0
	187,824	96,989	50,204	46,620	96,963
General and Administrative					
Bank charges and interest	0	0	0	0	0
Freight	0	0	0	3,200	50
Interest on long term debt	0	0	0	0	0
Rent	0	0	0	0	0
Repairs and maintenance	0	0	0	0	0
Utilities	0	0	0	0	0
Recruiting	0	0	0	0	0
Miscellaneous	0	0	0	0	0
	0	0	0	3,200	50
Office					
Office supplies	1,104	0	0	0	0
Telephone and internet	680	825	0	0	0
Translation	0	0	0	0	0
	1,784	825	0	0	0
Professional Fees					
Accounting	0	0	0	0	0
Audit	0	0	0	0	0
Legal	0	0	0	0	0
Management	0	0	0	0	0
Project consulting	0	0	0	0	0
	0	0	0	0	0
Salaries and Wages					
Salaries and wages	0	0	0	0	0
Sub-contractors	0	0	0	0	0
	0	0	0	0	0
Travel and meetings - administrative	0	0	0	0	0
Travel and meetings - projects	11,073	2,283	0	0	4,086
	200,681	100,097	50,204	49,820	101,099
EXCESS REVENUE (EXPENSES)	<u>\$ (681)</u>	<u>\$ (97)</u>	<u>\$ (204)</u>	<u>\$ 180</u>	<u>\$ (1,099)</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
SCHEDULE OF OPERATIONS BY ACTIVITY
FOR THE YEAR ENDED MARCH 31, 2006

	Financial Services	VOIP	Broadband Training	Skills Phase III	Qiniq Launch
REVENUES					
Industry Canada	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Indian and Northern Affairs Canada	10,000	200,000	0	0	0
Government of Nunavut	40,000	0	50,000	395,000	20,000
Kakivak Association	0	0	0	0	0
	50,000	200,000	50,000	395,000	20,000
EXPENSES					
Application Development					
Computer hardware	0	37,800	2,812	0	0
Computer software	0	0	1,135	0	0
Design and development	0	90,160	0	143,478	0
Marketing and promotion	9,900	7,744	0	612	15,038
Project management	21,749	34,466	9,600	47,786	0
Research	0	3,760	4,160	36,100	0
Training	0	5,378	16,119	0	0
Web site development	0	0	4,200	1,470	0
	31,649	179,308	38,026	229,446	15,038
General and Administrative					
Bank charges and interest	0	0	0	0	0
Freight	124	0	0	0	780
Interest on long term debt	0	0	0	0	0
Rent	0	0	0	2,339	0
Repairs and maintenance	0	0	0	0	0
Utilities	0	0	0	0	0
Recruiting	0	0	0	0	0
Miscellaneous	0	0	0	0	0
	124	0	0	2,339	780
Office					
Office supplies	90	376	0	0	0
Telephone and internet	1,620	314	0	1,737	0
Translation	0	0	0	0	0
	1,710	690	0	1,737	0
Professional Fees					
Accounting	0	0	0	0	0
Audit	0	0	0	0	0
Legal	0	0	0	0	0
Management	0	0	0	0	0
Project consulting	13,699	0	2,100	107,428	0
	13,699	0	2,100	107,428	0
Salaries and Wages					
Salaries and wages	0	0	0	0	0
Sub-contractors	0	0	0	22,945	0
	0	0	0	22,945	0
Travel and meetings - administrative	111	0	0	0	0
Travel and meetings - projects	3,544	20,139	9,925	31,267	4,478
	50,837	200,137	50,051	395,162	20,296
EXCESS EXPENSES	<u>\$ (837)</u>	<u>\$ (137)</u>	<u>\$ (51)</u>	<u>\$ (162)</u>	<u>\$ (296)</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
SCHEDULE OF OPERATIONS BY ACTIVITY
 FOR THE YEAR ENDED MARCH 31, 2006

	Qiniq Video	Wage Subsidy	Crossing Boundaries	Smart 21 Conference	Travel Other
REVENUES					
Industry Canada	\$ 0	\$ 0	\$ 0	\$ 8,433	\$ 2,401
Indian and Northern Affairs Canada	0	0	5,656	11,353	5,509
Government of Nunavut	88,000	0	0	10,000	0
Kakivak Association	0	12,420	0	0	0
	88,000	12,420	5,656	29,786	7,910
EXPENSES					
Application Development					
Computer hardware	0	0	0	0	0
Computer software	0	0	0	0	0
Design and development	0	0	0	0	0
Marketing and promotion	0	0	0	3,973	0
Project management	4,700	0	0	1,200	0
Research	0	0	0	0	0
Training	0	0	0	0	0
Web site development	0	0	0	0	0
	4,700	0	0	5,173	0
General and Administrative					
Bank charges and interest	0	0	0	0	0
Freight	0	0	0	0	0
Interest on long term debt	0	0	0	0	0
Rent	0	0	0	0	0
Repairs and maintenance	0	0	0	0	0
Utilities	0	0	0	0	0
Recruiting	0	0	0	0	0
Miscellaneous	0	0	0	0	0
	0	0	0	0	0
Office					
Office supplies	0	0	0	0	0
Telephone and internet	0	0	0	0	0
Translation	0	0	0	0	0
	0	0	0	0	0
Professional Fees					
Accounting	0	0	0	0	0
Audit	0	0	0	0	0
Legal	0	0	0	0	0
Management	2,902	0	0	0	0
Project consulting	0	0	0	0	0
	2,902	0	0	0	0
Salaries and Wages					
Salaries and wages	0	12,420	0	0	0
Sub-contractors	80,414	0	0	0	0
	80,414	12,420	0	0	0
Travel and meetings - administrative	0	0	0	0	0
Travel and meetings - projects	0	0	5,656	24,568	7,910
	88,016	12,420	5,656	29,741	7,910
EXCESS EXPENSES	<u>\$ (16)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 45</u>	<u>\$ 0</u>

NUNAVUT BROADBAND DEVELOPMENT CORPORATION
SCHEDULE OF OPERATIONS BY ACTIVITY
FOR THE YEAR ENDED MARCH 31, 2006

	NSI Negotiations	Professional Services	Operating Costs	Total
REVENUES				
Industry Canada	\$ 0	\$ 0	\$ 0	\$ 10,834
Indian and Northern Affairs Canada	0	0	0	597,518
Government of Nunavut	130,000	75,000	200,000	1,143,000
Kakivak Association	0	0	0	12,420
	130,000	75,000	200,000	1,763,772
EXPENSES				
Application Development				
Computer hardware	0	0	0	205,938
Computer software	0	0	705	4,200
Design and development	0	0	0	380,362
Marketing and promotion	0	0	10,027	83,988
Project management	27,500	39,506	17,694	302,468
Research	0	0	0	58,440
Training	0	0	0	36,306
Web site development	0	0	0	5,670
	27,500	39,506	28,426	1,077,372
General and Administrative				
Bank charges and interest	0	0	229	229
Freight	0	0	1,411	5,565
Interest on long term debt	0	0	32,199	32,199
Rent	0	0	15,451	17,790
Repairs and maintenance	0	0	2,444	2,444
Utilities	0	0	1,206	1,206
Recruiting	0	0	3,668	3,668
Miscellaneous	0	0	1,892	1,892
	0	0	58,500	64,993
Office				
Office supplies	0	0	6,636	8,206
Telephone and internet	0	0	11,900	17,076
Translation	0	0	7,005	7,005
	0	0	25,541	32,287
Professional Fees				
Accounting	25,500	0	0	25,500
Audit	0	35,494	2,716	38,210
Legal	66,654	0	4,880	71,534
Management	0	0	0	2,902
Project consulting	0	0	0	123,227
	92,154	35,494	7,596	261,373
Salaries and Wages				
Salaries and wages	0	0	41,215	53,635
Sub-contractors	0	0	3,487	106,846
	0	0	44,702	160,481
Travel and meetings - administrative	0	0	14,737	14,848
Travel and meetings - projects	11,251	0	20,653	156,833
	130,905	75,000	200,155	1,768,187
EXCESS EXPENSES	<u>\$ (905)</u>	<u>\$ 0</u>	<u>\$ (155)</u>	<u>\$ (4,415)</u>

NBDC INC.
FINANCIAL STATEMENTS
MARCH 31, 2006

NBDC INC.
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AUDITORS' REPORT

To the Shareholder of
NBDC Inc.

We have audited the balance sheet of NBDC Inc. as at March 31, 2006, and the statements of loss, deficit and cash flows for the year then ended. These financial statements are the responsibility of 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 NBDC Inc. as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Iqaluit, Nunavut
July 24, 2006

CHARTERED ACCOUNTANTS

NBDC INC.
STATEMENT OF LOSS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE		
Amortization of deferred government assistance	\$ 1,456,852	\$ 0
Infrastructure Canada - NSI contribution	980,000	0
Other grants and contributions	1,554,409	567,905
Network licence	115,000	0
Expense recoveries and other	<u>36,581</u>	<u>1,104</u>
	4,142,842	569,009
 EXPENSES (Page 3)	 <u>4,920,307</u>	 <u>1,083,107</u>
 NET LOSS	 <u>\$ (777,465)</u>	 <u>\$ (514,098)</u>

NBDC INC.
STATEMENT OF LOSS
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
EXPENSES		
Amortization	\$ 2,234,264	\$ 3,781
Application Development		
Computer hardware	0	9,581
Computer software	4,200	5,319
Design and development	387,362	0
Marketing and promotion	83,988	38,350
Project management	307,549	291,994
Research	58,440	0
Training	36,306	1,000
Web site development	<u>5,670</u>	<u>0</u>
	<u>883,515</u>	<u>346,244</u>
General and Administrative		
Bank charges and interest	643	1,830
Freight	5,565	0
Interest on long term debt	68,780	32,835
Rent	17,790	12,559
Repairs and maintenance	2,444	766
Utilities	1,206	661
Recruiting	3,668	4,673
Miscellaneous	<u>1,640</u>	<u>1,042</u>
	<u>101,736</u>	<u>54,366</u>
Office		
Office supplies	8,206	14,797
Telephone and internet	17,076	8,779
Translation	<u>7,005</u>	<u>885</u>
	<u>32,287</u>	<u>24,461</u>
Professional Fees		
Accounting	25,500	69,750
Audit	21,500	17,500
Legal	66,654	71,193
Management	2,902	63,778
Project consulting	<u>123,227</u>	<u>93,950</u>
	<u>239,783</u>	<u>316,171</u>
Salaries and Wages		
Salaries and wages	53,635	133,067
Sub-contractors	<u>108,406</u>	<u>83,713</u>
	<u>162,041</u>	<u>216,780</u>
Satellite space segment services	<u>1,095,000</u>	<u>0</u>
Travel and meetings - administrative	<u>14,848</u>	<u>15,645</u>
Travel and meetings - projects	<u>156,833</u>	<u>105,659</u>
	<u>\$ 4,920,307</u>	<u>\$ 1,083,107</u>

NBDC INC.
STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
BALANCE, OPENING	\$ (514,098)	\$ 0
Net loss	<u>(777,465)</u>	<u>(514,098)</u>
BALANCE, CLOSING	<u>\$ (1,291,563)</u>	<u>\$ (514,098)</u>

NBDC INC.
BALANCE SHEET
AS AT MARCH 31, 2006

	2006	2005
<u>ASSETS</u>		
CURRENT		
Cash	\$ 0	\$ 161,840
Accounts receivable	199,372	10,000
Prepaid expenses	2,500	300
Due from shareholder (Note 2)	922,209	0
	1,124,081	172,140
 QINI NETWORK AND OFFICE EQUIPMENT (Notes 1(a) and 3)		
	6,000,464	8,028,789
	\$ 7,124,545	\$ 8,200,929
<u>LIABILITIES</u>		
CURRENT		
Bank indebtedness	\$ 120,321	\$ 0
Accounts payable and accrued liabilities	3,845,050	1,155,178
	3,965,371	1,155,178
LONG TERM DEBT (Note 4)	999,831	776,840
DUE TO SHAREHOLDER	0	2,081,190
DEFERRED GOVERNMENT ASSISTANCE (Note 5)	3,450,806	4,701,719
	8,416,008	8,714,927
<u>SHAREHOLDERS' DEFICIT</u>		
SHARE CAPITAL (Note 6)	100	100
DEFICIT	(1,291,563)	(514,098)
	(1,291,463)	(513,998)
	\$ 7,124,545	\$ 8,200,929

APPROVED BY THE DIRECTORS:

_____ Director

_____ Director

NBDC INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Net loss	\$ (777,465)	\$ (514,098)
Items not requiring (providing) cash:		
Amortization	2,234,264	3,781
Amortization of deferred government assistance	<u>(1,456,852)</u>	<u>0</u>
	(53)	(510,317)
Cash provided by (used for) changes in non-cash working capital:		
Accounts receivable	(189,372)	(10,000)
Prepaid expenses	(2,200)	(300)
Accounts payable and accrued liabilities	<u>2,689,872</u>	<u>1,155,178</u>
	<u>2,498,247</u>	<u>634,561</u>
FINANCING ACTIVITIES		
Long term debt	222,991	776,840
Advances from (to) shareholder	(3,003,399)	2,081,190
Deferred government assistance	205,938	4,701,719
Common shares issued	<u>0</u>	<u>100</u>
	<u>(2,574,470)</u>	<u>7,559,849</u>
INVESTING ACTIVITIES		
Purchase of Qiniq network and office equipment	<u>(205,938)</u>	<u>(8,032,570)</u>
INCREASE (DECREASE) IN CASH	(282,161)	161,840
CASH, OPENING	<u>161,840</u>	<u>0</u>
CASH (BANK INDEBTEDNESS), CLOSING	<u>\$ (120,321)</u>	<u>\$ 161,840</u>
Represented by:		
Cash	\$ 0	\$ 161,840
Bank indebtedness	<u>(120,321)</u>	<u>0</u>
	<u>\$ (120,321)</u>	<u>\$ 161,840</u>

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for the year involves the use of estimates and approximations that have been made using careful judgement. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Qiniq Network and Office Equipment

Qiniq network and office equipment are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Broadband network	30% declining balance
Structures	4% declining balance
Equipment	20% declining balance
Computer equipment	45% declining balance
Furniture and fixtures	20% declining balance

One-half of the annual rate of amortization is taken in the year of acquisition.

(b) Revenue Recognition

Grants and contributions and network licence revenue are recognized as revenue in the period in which they are received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

(c) Income Taxes

Income taxes are calculated using the liability method of income tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods the temporary differences are expected to reverse.

(d) Government Assistance

Government assistance towards capital projects is recorded as deferred government assistance. Deferred government assistance is amortized into revenue on a declining balance basis at the same rate as the corresponding capital asset is amortized. Forgivable loans are recorded as revenue in the year of forgiveness. Government assistance towards expenditures is recorded as revenue on the accrual basis.

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments

The company's financial instruments consist of cash, accounts receivable, due from shareholder, bank indebtedness, accounts payable and accrued liabilities, and long term debt. It is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise noted, the fair value of these financial instruments approximate their carrying values.

2. DUE FROM SHAREHOLDER

Amounts due from shareholder are non-interest bearing, unsecured and have no specified terms of repayment.

3. QINIQ NETWORK AND OFFICE EQUIPMENT

	2006		2005	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Qiniq Network				
Broadband network	\$ 7,149,765	\$ 2,144,929	\$ 5,004,836	\$ 7,149,765
Structures	846,750	33,870	812,880	846,750
Equipment	15,496	3,099	12,397	15,496
Computer Equipment				
Computer hardware	205,938	46,336	159,602	0
Office Equipment				
Computer equipment	13,798	7,917	5,881	10,693
Furniture and fixtures	6,761	1,893	4,868	6,085
	<u>\$ 8,238,508</u>	<u>\$ 2,238,044</u>	<u>\$ 6,000,464</u>	<u>\$ 8,028,789</u>

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

4. LONG TERM DEBT

	2006	2005
<p>Nunavut Business Credit Corporation, demand loan, secured by equipment. The loan is repayable in monthly installments of interest only with interest at 7.5%. Due September, 2014. It is not expected that repayment will be required within the next fiscal year. Consequently, this item has been classified as a non-current liability in these financial statements.</p>	\$ 776,429	\$ 776,840
<p>Nunavut Business Credit Corporation, demand loan, secured by a general security agreement and guarantee by Nunavut Broadband Development Corporation, the parent company. For the first two years, the loan is repayable in monthly installments of interest only at prime plus 2.5%. Subsequently, the loan is repayable in blended monthly installments of \$5,314. Due May, 2011. It is not expected that repayment will be required within the next fiscal year. Consequently, this item has been classified as a non-current liability in these financial statements.</p>	<u>223,402</u>	<u>0</u>
	<u>\$ 999,831</u>	<u>\$ 776,840</u>

Long term debt is expected to be repaid annually as follows:

2007	\$	0
2008		46,450
2009		53,458
2010		57,180
2011		61,161
Thereafter		<u>781,582</u>
	<u>\$</u>	<u>999,831</u>

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

5. DEFERRED GOVERNMENT ASSISTANCE

		<u>2006</u>			<u>2005</u>
		<u>Original Cost</u>	<u>Accumulated Amortization</u>	<u>Unamortized Balance</u>	<u>Unamortized Balance</u>
Qiniq Network					
Industry Canada	30%	\$ 3,885,000	\$ 1,165,500	\$ 2,719,500	\$ 3,885,000
2.5 GHz Upgrade					
Indian and Northern					
Affairs Canada	30%	346,719	104,016	242,703	346,719
Government of					
Nunavut	30%	250,000	75,000	175,000	250,000
Hamlets	30%	220,000	66,000	154,000	220,000
Computer Equipment					
Indian and Northern					
Affairs Canada	45%	186,422	41,945	144,477	0
Government of					
Nunavut	45%	<u>19,517</u>	<u>4,391</u>	<u>15,126</u>	<u>0</u>
		<u>\$ 4,907,658</u>	<u>\$ 1,456,852</u>	<u>\$ 3,450,806</u>	<u>\$ 4,701,719</u>

6. SHARE CAPITAL

Authorized:

Unlimited Common Shares without par value.

Unlimited Preferred Shares without par value.

	<u>2006</u>	<u>2005</u>
Issued and fully paid:		
100 Common Shares	<u>\$ 100</u>	<u>\$ 100</u>

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

6. SHARE CAPITAL (continued)

During the year, the company and its parent, Nunavut Broadband Development Corporation, signed a share purchase option agreement. The agreement grants SSI Micro Ltd. the sole and exclusive option, irrevocable until the expiry or other termination of the Network Agreement, which is the earlier of March 31, 2019 and the end of the commercially useful life of the Network Property, to purchase all, but not less than all, of the issued shares in the capital stock of the company from its parent, which currently consists of 100 common shares, for an aggregate price equal to the amount of all debts and other obligations of the company and its parent, including without limitation, all obligations secured by Permitted Encumbrances, as defined pursuant to the Network Agreement, plus one dollar (\$1.00). Provided that any such purchase will not contravene any term, condition or restriction, express or implied, of any Permitted Encumbrances, the IC Contribution Agreement, or the NSI Contribution Agreement as such terms as defined by the Network Agreement.

7. INCOME TAX EXPENSE (RECOVERY)

The company has non-capital losses carried forward of \$1,291,556. The tax benefits related to these losses expire as follows:

2013	\$ 514,087
2014	<u>777,469</u>
	<u>\$ 1,291,556</u>

The tax benefits related to the non-capital losses carried forward have not been included in these financial statements.

8. ECONOMIC DEPENDENCE

The company receives the majority of its funding from the Governments of Canada and Nunavut. Without continued funding from the Governments of Canada and Nunavut, it is unlikely the company's operations would be able to continue.

9. SUBSEQUENT EVENTS

During the 2007 fiscal year, the company will transfer its leases with Qulliq Energy Corporation and the "Qiniq" trademark to Qiniq Inc., a newly created, wholly owned subsidiary of the company's parent, Nunavut Broadband Development Corporation.

NBDC INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2006

10. JURISDICTION OF INCORPORATION

The company was incorporated under the *Business Corporations Act* of Nunavut on April 2, 2004.

11. COMPARATIVE AMOUNTS

Certain 2005 financial statement amounts have been reclassified to conform to the financial statement presentation adopted in the current year.