

**NUNAVUT BROADBAND DEVELOPMENT CORPORATION
PRESIDENT'S REPORT
ANNUAL GENERAL MEETING ON February 9, 2009**

As the President of Nunavut Broadband Development Corporation, I am pleased to report on the activities of NBDC, the QINIQ network that was initiated by NBDC in 2005 and the latest round of investment in broadband for Nunavut which has now been committed.

During the last two years we have faced significant challenges and I am pleased to report that recent funding announcements by the Government of Canada has stabilized the future of broadband in Nunavut for the next few years.

For the next few minutes I will report on those challenges, our funding success and our plans for the future. But first as I did last year, I would like to clarify the role that NBDC plays in Nunavut and the relationship that NBDC has with the QINIQ network.

NBDC and QINIQ

NBDC is a not-for-profit corporation established to ensure that people have reliable, affordable access to broadband in every single Nunavut community.

As part of this mandate, NBDC initiated the QINIQ network using funds obtained from the Government of Canada, agencies of the Government of Nunavut and the Inuit land claim organizations. NBDC owns the trademark "QINIQ" and owns certain assets of the QINIQ network for the sole purpose

of securing borrowed money and making the network possible in every community.

Through a formal public RFP, NBDC selected SSI Micro Ltd to operate the QINIQ network. NBDC arranged the financing for the QINIQ network, NBDC ensures that the borrowed funds are repaid and watches to make sure that SSI makes QINIQ available in every Nunavut community at the same affordable price.

Although NBDC owns the QINIQ name, and NBDC operates its projects under the name and subsidiary corporation QINIQ Inc., NBDC does not manage the day to day QINIQ network – that is the job of the QINIQ network operator, currently SSI Micro. NBDC does not receive any financial benefit from the operation of the QINIQ network and we pay for our accounts on that network just like all other subscribers.

In addition to encouraging the QINIQ network in Nunavut, NBDC strongly supports the growth of all the Nunavut broadband networks in as many communities and sectors as possible. Later in this report I will outline NBDC's efforts to ensure there continues to be several healthy broadband networks in Nunavut to support the social and economic growth of Nunavut.

Qulliq Energy Corporation Dispute

Now, I would like to address an unfortunate situation that has taken significant attention and funds away from the more positive growth opportunities during the last two years. Last year I reported on this situation in some detail. This year I have to report that the situation is not entirely

behind us but we are very close to completing the final legal steps to settle the dispute.

We hope and expect that this unfortunate situation will be over soon and we regret the new service delays and general legal and business uncertainty that has clouded the QINIQ network over the last two years.

Astonishing QINIQ Growth

The QINIQ network was launched in May 2005. As reported last year, when the project was originally funded by the Government of Canada we obtained committed funding to accommodate up to 2,000 subscribers. This number of subscribers was not expected to be reached until 2013. We are now able to report that while the growth has continued, financial relief has been announced as part of the Government of Canada Infrastructure funding.

I would like to specifically mention and thank SSI Micro Ltd, Jeff Philipp and the staff of SSI for bearing with us and continuing to fund the QINIQ network well beyond the original investment target – in fact more than double the original growth targets – while we worked toward the new round of investment.

New Funding confirmed for Infrastructure II Initiative

As reported last year, on March 31, 2008 a Business Plan for additional funding for QINIQ and other new applications was submitted to Infrastructure Canada including support for consumer, business and certain Government of Nunavut projects and needs. This plan was approved by Infrastructure Canada on July 14, 2008, announced on August 29, 2008 and

the related Contribution Agreement was completed in January 2009. This announcement secures a new round of investment in broadband for Nunavut and is the result of major efforts over two years by dozens of people involved with NBDC, the private sector, Inuit organizations and two levels of government.

The Next Five Years – User Needs Now Addressed

As outlined in the Business Plan, in summary, three generic needs were identified by almost every sector of the users in Nunavut.

Meet Online

Almost every sector of Nunavut identifies the need to “Meet Online”. This generic term describes the need for audio, video and shared document capabilities for education and training, for healthcare, for management and governance, for business and for private use. The Business Plan submitted to Infrastructure Canada defines the need to fund and implement “Meet Online” services from multiple vendors serving Nunavut.

Time Shift Services

Almost every user we talked to needs to move large files by satellite to other Nunavut communities or to and from the south. Examples are moving maps, X-rays, video for education and copies of servers for replication locally. Much of the email and other traffic during the day on Nunavut’s satellite networks could be shifted to overnight or to a weekend, freeing up prime shift capacity for the truly on-line traffic. Our Business Plan addresses this urgent need to spread our work out over all shifts, not just at peak time.

Local Connect

Several separate networks exist in Nunavut including QINIQ, NorthwesTel DSL, GN networks and other private networks. In most cases email and other traffic between these networks, even if it is just going across the street, moves to Yellowknife, Iqaluit or Ottawa to be sorted and re-routed back to the same community. This is a waste of valuable satellite capacity by all networks. The Local Connect project documented in our Business Plan will provide the technology to sort Internet traffic locally in most Nunavut communities and will avoid unnecessary satellite traffic for everybody.

Funding for Connecting Classrooms

In addition to supporting the new applications for both public and private users, the Infrastructure II investment includes significant federal funding for connecting classrooms – students and teachers – to the Internet.

Competitive RFP for Private Sector Suppliers

To select one or more competitive private sector vendors to meet the network needs described above, NBDC is in the process of issuing an RFP to use the private sector to deliver the network services. Federal funds will be allocated based on competitive contract awards and must be matched by purchases by private and public users.

Managing Broadband – Nunavut’s Road Ahead

The astonishing growth of broadband in Nunavut over the last few years is only the beginning. Five years from now, I’m sure that we will again be astonished by the growth. However, there is a limit for Nunavut

communities not faced in the south – the satellite doesn't get faster and cheaper year after year. In five years, satellite capacity will cost just about what it costs today and that is a serious problem for Nunavut unless we learn to use the existing capacity much more effectively.

The Business Plan that was submitted to Infrastructure Canada in March was subtitled "***Managing Bandwidth – Nunavut's Road Ahead***". And that is exactly what we must do over the next five years – manage satellite bandwidth.

NBDC does not receive any revenue from the provision of broadband services. NBDC is also forbidden from using any federal funds secured in the Infrastructure investment to cover core operations. NBDC's challenge in the next few years will be to find governmental and Inuit organization support to cover the costs of operating, to ensure that the federal investment reaches Nunavut residents in a fair and transparent manner. NBDC needs the support of Nunavut institutions to continue to evolve for the benefit of Nunavut residents into the future.

Finally, I would like to say that I appreciate the opportunity to be a part of the growth in Nunavut. I look forward to working to launch this next round of financing for broadband in Nunavut. After that I hope NBDC will have the support of various governmental and Inuit organizations, and I look forward to assisting new staff in running the organization.

Thank you.

David E. Smith
President
Nunavut Broadband Development Corporation
February 9, 2009