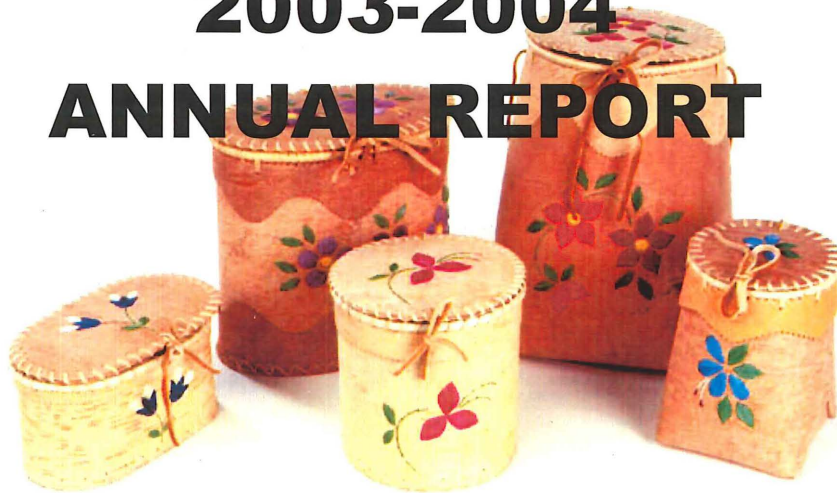
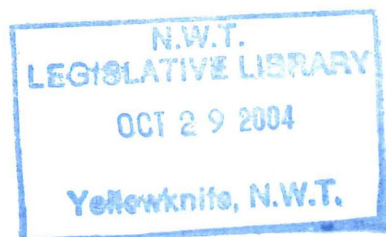


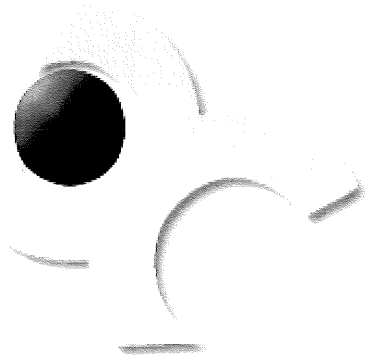
NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2003-2004 ANNUAL REPORT



Investing in the Future of Northerners





NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2003-2004 ANNUAL REPORT

7th Floor, Northwest Tower
701, 5201-50th Ave.
Yellowknife, NT X1A 3S9

Phone: (867) 766-7700
Fax: (867) 766-7701
Email: info@ntdevcorp.com
URL: www.ntdevcorp.com

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

CORPORATE INFORMATION

The Northwest Territories Development Corporation (the Corporation) is a Crown Corporation established by the *Northwest Territories Development Corporation Act* (the *Act*) of 1990. It is owned by the Government of the Northwest Territories (GNWT), represented by the Minister of Resources, Wildlife and Economic Development (RWED). A Board of Directors appointed by the Executive Council directs the business of the Corporation

The Corporation was created to assist businesses in overcoming obstacles to development in small northern communities. The Corporation is uniquely positioned to respond to economic development opportunities that require management services as well as equity investment capital

Section 3 of the *Act* defines the objects of the Corporation. They are:

- (a) to incorporate, establish and carry on the business of companies or corporations and to develop, establish, operate, manage and carry on the business of projects, directly or indirectly, within the Corporation in order to
 - (1) create employment and income for residents of the Territories, primarily in small communities,
 - (2) stimulate growth of businesses in the Territories, and
 - (3) promote economic diversification and stability;

- (b) to invest in business enterprises in order to

- (1) stimulate growth of businesses in the Territories, and

- (2) promote economic diversification and stability; and

- (c) to promote the economic objectives of the Government of the Northwest Territories

To accomplish its objectives the Corporation provides direct investment and operating subsidies to companies. This is done through various types of economic involvement – Subsidiary Companies, Joint Ventures and Projects and Business Development.

Subsidiary Companies

Subsidiary companies are those which the Corporation has majority ownership (51% common shares or more). Subsidies and capital investments may be provided to these subsidiaries in order to maintain meaningful employment. As of March 31, 2004, the Corporation held majority ownership in the following companies:

913044 N.W.T. Ltd.
(o/a Fort McPherson Tent & Canvas Shop)
Acho Dene Native Crafts Ltd.
Aklavik & Tuktoyaktuk Furs Ltd.
Arctic Canada Trading Company Ltd.
Dene Fur Clouds Ltd.
Nahanni Butte General Store Ltd.
Rae Lakes General Store Ltd.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Muskox Leather Inc.. was dissolved as of July 31, 2003.

Joint Ventures

The Corporation injects capital funding into a business, usually in return for preferred shares. The Corporation's investment is subject to annual dividend payments at a rate determined and agreed to by both parties. In February of 2004, Canzeal Enterprises Ltd. redeemed our preferred shares. As of March 31, 2004, the Corporation held investments in the following companies:

175119 Canada Inc. (NWT Marine)
ACODA Gifts Ltd.
ADK Corporate Group
Dunnett Petroleum Ltd.
Enodah Wilderness Travel Ltd.
FC Services Ltd.
Kunnek Resources Development Corporation
Nats'enu Ltd.
North Nahanni Naturalist Lodge Ltd.
Red Dog Mountain Contracting Ltd.
Tli Cho Co-operative Ltd.
Tri-Vanguard Pictures Ltd.
Two Rivers Development Group Ltd.
Wekweti Development Corporation

Projects and Business Development

The Corporation will occasionally assist businesses, often on a cost-shared basis, to finance projects for feasibility assessments, development of new products and management of pilot projects. During 2003-2004 the NWT Development Corporation provided business development funding to the following:

Arctic Farmer Landscaping
Aurora College
Big River School of Tourism
Creative Visions North
Conrad Plamondon
Joan's Health and Fitness Club
Patricia Horn

Corporate Office

The Corporation's head office is located on the 7th Floor of the Northwest Tower in Yellowknife, NWT. The President and CEO of the Corporation during this period was Fred E. Koe. The Corporation is governed by a Board of Directors appointed by the Executive Council of the GNWT. The Corporation's Board of Directors, from across the Northwest Territories, for the period covered by this report were:

Chair

Elizabeth Wyman Yellowknife

Vice Chair

Denise Yuhas South Slave

Directors

Joy Stewart Hay River
Daniel McNeely Sahtu
Ernie Smith Dogrib
Albert Elias Inuvialuit
Charles Furlong Gwich'in
Darrell Beaulieu Akaitcho

Board of Directors



Elizabeth Wyman
Chair



Denise Yuhas
Vice Chair



Joy Stewart
Director



Darrell Beaulieu
Director



Daniel McNeely
Director



Ernie Smith
Director



Charles Furlong
Director



Albert Elias
Director

Senior Staff



Fred E. Koe, CMA
President & CEO



Robert Murphy
Vice President



Leigh Wells
Executive Assistant/
Corporate Secretary

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Message from the Chair

On behalf of the Board of Directors for the NWT Development Corporation I am pleased to present our annual report for the year ending March 31, 2004.

I would like to thank the Staff for all the dedicated hours that they committed to our organization and the creation of Economic Development activities in the Northwest Territories. A special mention must go to Mr. Fred Koe, our President, who left the organization at the end of this fiscal year. It was a pleasure working with him for the past five years.

Between April 1, 2003 and March 31, 2004 the board conducted several face to face and teleconference meetings. During our winter meeting we traveled into the Sahtu and visited the communities of Norman Wells, Tulita and Deline. In Tulita we were able to meet with a group of women who were interested in the development of some business ideals. This is an area of our economy that the board feels time and resources must be sent in order to foster economic growth.

As stated in previous years, the Investment committee reviewed the business plans from all of our subsidiary companies. In keeping with our mandate to have the subsidiary companies self reliant, subsidies were approved with a 10% decrease from the previous year. Once again the Business Plans were presented by the company general managers at the conclusion of their yearly training seminars. As well Venture investments were monitored. The Personal Committee was involved in reviewing policies and the Audit Committee continued to review the financial operations of the Corporation on a quarterly bases as well as conducting a final review on the yearly statements.



I would like to thank the Board of Directors for their wisdom and insight, without you we would not be able to do continue the work in our communities.

Mashi Cho

Board of Directors



Elizabeth Wyman
Chair



Denise Yuhas
Vice Chair



Joy Stewart
Director



Darrell Beaulieu
Director



Daniel McNeely
Director



Ernie Smith
Director



Charles Furlong
Director



Albert Elias
Director

Senior Staff



Fred E. Koe, CMA
President & CEO



Robert Murphy
Vice President



Leigh Wells
Executive Assistant/
Corporate Secretary

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

2003 – 2004 COMMITTEES

Audit Committee

Darrell Beaulieu, *Chair*
 Ernie Smith
 Albert Elias
 Charles Furlong
 Daniel McNeely
 Elizabeth Wyman, *Ex-Officio*

Investment Committee

Joy Stewart, *Chair*
 Ernie Smith
 Daniel McNeely
 Charles Furlong
 Denise Yuhas
 Elizabeth Wyman, *Ex-Officio*

Personnel Committee

Denise Yuhas, *Chair*
 Joy Stewart
 Albert Elias
 Darrell Beaulieu
 Elizabeth Wyman, *Ex-Officio*

2003-2004 Job Statistics

	Direct Jobs		Indirect Jobs (Aggregate Totals)	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
913044 NWT Ltd. (o/a Fort				
McPherson Tent & Canvas)	11.00	18.50		
Acho Dene Native Crafts Ltd.	4.00	4.00		
Aklavik & Tuktoyaktuk Furs Ltd.	-	-		
Arctic Canada Trading Co. Ltd.	1.00	.75		
Dene Fur Clouds Ltd.	9.00	9.00		
Muskox Leather Inc.	-	-		
Nahanni Butte General Store Ltd.	3.00	3.00		
Rae Lakes General Store Ltd.	<u>5.00</u>	<u>5.00</u>		
Sub-Total for Subsidiaries	33.00	40.25	14.00	14.00
Headquarters	<u>8.00</u>	<u>8.00</u>	<u>5.00</u>	<u>7.00</u>
Sub- Total	41.00	48.25	19.00	21.00
Venture Investments	<u>72.50</u>	<u>76.50</u>	<u>26.00</u>	<u>32.00</u>
Total	<u>113.50</u>	<u>124.75</u>	<u>45.00</u>	<u>53.00</u>

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

SUBSIDIARY COMPANIES

BOARDS OF DIRECTORS

Acho Dene Native Crafts Ltd.

Irene McLeod, President
Alma Jumbo
Joy Stewart
Robert Murphy

Nahanni Butte General Store Ltd.

Leon Konisenta, President
Robert Murphy

Dene Fur Clouds Ltd.

Robert Murphy
Bernadette Landry

Fort McPherson Tent and Canvas

Taig Connell, President
Sharon Snowshoe
Hazel Nerysoo
Robert Alexie Sr.
Robert Murphy

Rae Lakes General Store Ltd.

Henry Gon, President
Gary Bekale
Frank Arrowmaker
Germaine Eyakfwo
Robert Murphy

Arctic Canada Trading Co. Ltd.

Joy Stewart, President
Denise Yuhas
Charles Furlong

Aklavik & Tuktoyaktuk Furs Ltd.

Robert Murphy

The NWT Development Corporation Board of Directors would like to extend their sincere gratitude for the hard work and dedication of these individuals.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Message from the Chair

On behalf of the Board of Directors for the NWT Development Corporation I am pleased to present our annual report for the year ending March 31, 2004.

I would like to thank the Staff for all the dedicated hours that they committed to our organization and the creation of Economic Development activities in the Northwest Territories. A special mention must go to Mr. Fred Koe, our President, who left the organization at the end of this fiscal year. It was a pleasure working with him for the past five years.

Between April 1, 2003 and March 31, 2004 the board conducted several face to face and teleconference meetings. During our winter meeting we traveled into the Sahtu and visited the communities of Norman Wells, Tulita and Deline. In Tulita we were able to meet with a group of women who were interested in the development of some business ideals. This is an area of our economy that the board feels time and resources must be sent in order to foster economic growth.

As stated in previous years, the Investment committee reviewed the business plans from all of our subsidiary companies. In keeping with our mandate to have the subsidiary companies self reliant, subsidies were approved with a 10% decrease from the previous year. Once again the Business Plans were presented by the company general managers at the conclusion of their yearly training seminars. As well Venture investments were monitored. The Personal Committee was involved in reviewing policies and the Audit Committee continued to review the financial operations of the Corporation on a quarterly bases as well as conducting a final review on the yearly statements.



I would like to thank the Board of Directors for their wisdom and insight, without you we would not be able to do continue the work in our communities.

Mashi Cho

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

*Report from the
President and CEO*

During the fiscal year 2003/2004, The Northwest Territories Development Corporation (the Corporation) had success in meeting the major portions of each of its seven goals.

In brief, the goals of the Corporation was to increase its investment portfolio, create and maintain jobs, encourage business partnerships and support youth entrepreneurs. In addition the Corporation wanted to enhance the corporate image and support the effective and efficient delivery of economic development programs.

The Corporation also continues to provide support, both financial and management development to each of the six subsidiaries, wholly or partially owned by the Corporation.

It should be noted that due to the share redemption of one of its Venture companies, the Corporation showed a decrease in the number of jobs created and/or maintained. The number of direct jobs decreased by 11.25 and the number of indirect jobs decreased by eight jobs.

The Corporation's consolidated sales revenues decreased by \$223,753 to \$2,171,776. This represents a nine percent decrease. The Corporation's gross margin decreased from 35% to 30% in 2003/2004 fiscal year. Fort McPherson Tent and Canvas Shop and the Rae Lakes General Store Ltd. continue to be the major contributors.

Dividends collected in the investment portfolio has increased to \$173,703 from the previous fiscal year total of \$106,000. This represents an increase of 64% over the previous fiscal year.

The creation of the new Business Development and Investment Corporation (BDIC) to be a key objective of the government and it is expected that the Corporation and the NWT Business Credit Corporation will be amalgamated to create the BDIC by the end of the fiscal year 2004/2005.



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

During the Corporation's Board meeting in Norman Wells in November 2004, they visited Deline and Tulita. The following photos are from those visits



NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2004

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Management's Responsibility for Financial Reporting

July 23, 2004

**To the Minister responsible for the
Northwest Territories Development Corporation**

Management is responsible for the preparation and presentation of the consolidated financial statements. The accompanying consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles, and related practices that are appropriate in the circumstances. The financial information includes certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis.

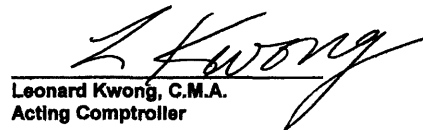
The Northwest Territories Development Corporation (the Corporation) maintains internal financial and management systems and practices which are designed to provide reasonable assurance that reliable financial and non-financial information is available on a timely basis and that the Corporation acts in accordance with the laws of the Northwest Territories and Canada. The Corporation's management recognizes its responsibility for conducting the Corporation's affairs in accordance with the requirements of applicable laws and sound business principles and for maintaining standards of conduct that are appropriate to a territorial Crown corporation.

The Board of Directors (the Board), through the Audit Committee which is comprised of Directors who are not employees of the Corporation, is responsible for reviewing and approving the audited annual financial statements and oversees management's responsibilities for financial reporting and internal controls. The Audit Committee meets with management and the external auditor to discuss the financial reporting process as well as accounting and auditing issues. The Auditor General of Canada has full and free access to the Audit Committee.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements. She also considers whether transactions which come to her notice in the course of her audit are, in all significant respects, in accordance with the specified legislation.



**Tom R. Beaulieu
President & Chief Executive Officer**



**Leonard Kwong, C.M.A.
Acting Comptroller**

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Financial Statements

March 31, 2004

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NORTHWEST TERRITORIES DEVELOPMENT CORPORATION



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the
Northwest Territories Development Corporation

I have audited the consolidated balance sheet of the Northwest Territories Development Corporation as at March 31, 2004 and the consolidated statements of operations, deficit and contributed equity - venture investments and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Financial Administration Act*, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept by the Corporation, and the consolidated financial statements are in agreement therewith and the transactions of the Corporation and its subsidiaries that have come to my notice during my audit of the consolidated financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Northwest Territories Development Corporation Act* and regulations, the *Northwest Territories Business Corporations Act* and regulations, and the by-laws of the Corporation.

Ronald C. Thompson, CA
Assistant Auditor General
for the Auditor General of Canada

Ottawa, Canada
July 23, 2004

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Statement of Operations

For the year ended March 31,	2004	2003
Revenue		
Sales	\$ 2,171,776	\$ 2,395,529
Cost of goods sold	1,526,120	1,554,335
Gross margin	645,656	841,194
Dividends	173,703	105,791
Interest	115,812	81,026
Other revenue	88,165	128,952
	1,023,336	1,156,963
Expenses		
Selling and administrative (Note 16)	2,806,831	2,873,629
Amortization of capital assets	123,374	118,746
Provision for loss on investments	205,000	457,050
Business development expenditures	167,139	46,607
	3,302,344	3,496,032
Net loss from operations	(2,279,008)	(2,339,069)
Other items		
Gain on disposal of capital assets	755	11,770
	755	11,770
Net loss before government contributions	(2,278,253)	(2,327,299)
Government of the Northwest Territories contributions (Note 4)	3,249,666	2,904,443
Net income	\$ 971,413	\$ 577,144

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Consolidated Statement of Deficit and Contributed Equity - Venture Investments

For the year ended March 31,	2004	2003
Deficit		
Balance, beginning of year	\$ (3,052,838)	\$ (3,524,191)
Net Income	971,413	577,144
Transfer of dividends to Contributed Equity - Venture Investments	(173,703)	(105,791)
Balance, end of year	\$ (2,255,128)	\$ (3,052,838)

Contributed Equity - Venture Investments

Balance, beginning of year	\$ 5,543,907	\$ 4,835,316
Contribution from the Government	-	602,800
Dividends earned	173,703	105,791
Balance, end of year	\$ 5,717,610	\$ 5,543,907

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

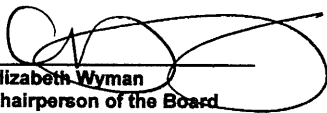
Northwest Territories Development Corporation

Consolidated Balance Sheet

As at March 31,	2004	2003
Assets		
Current		
Cash and cash equivalents (Note 6)	\$ 3,028,751	\$ 1,452,698
Accounts receivable	301,018	270,420
Inventory	1,517,122	1,570,224
Prepaid expenses and deposits	2,872	12,256
	4,849,763	3,305,598
Reserve funds (Note 6)	639,492	779,492
Venture investments (Note 7)	1,129,000	1,634,000
Capital assets (Note 8)	829,124	835,442
Sinking fund investment (Note 10)	-	1,350,000
	\$ 7,447,379	\$ 7,904,532
Liabilities		
Current		
Bank indebtedness (Note 9)	\$ 55,402	\$ 25,194
Accounts payable and accrued liabilities	560,973	391,486
Current portion of long term debt (Note 10)	-	1,620,000
	616,375	2,036,680
Deferred capital contributions (Note 5)	2,653,269	2,661,530
	3,269,644	4,698,210
Equity		
Contributed surplus - Government	715,253	715,253
Contributed equity - Venture Investments	5,717,610	5,543,907
Deficit	(2,255,128)	(3,052,838)
	4,177,735	3,206,322
	\$ 7,447,379	\$ 7,904,532

Commitments (Note 12).
The accompanying notes form an integral part of the financial statements.

Approved by the Board:


Elizabeth Wyman
Chairperson of the Board


Darrell Beaulieu
Chairperson of the Audit Committee

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation		
Consolidated Statement of Cash Flow		
For the year ended March 31,	2004	2003
Operating activities		
Net income	\$ 971,413	\$ 577,144
Items not affecting cash		
Amortization of capital assets	123,374	118,746
Amortization of deferred capital contributions	(88,365)	(95,194)
Gain on disposal of capital assets	(755)	(11,770)
Provision for loss on investments	205,000	457,050
Change in non-cash operating working capital (Note 11a)	201,375	(398,299)
Cash flows from operating activities	1,412,042	647,677
Financing activities		
Contribution from the Government (Note 11b)	80,104	695,830
Contribution to sinking fund	(270,000)	(324,000)
Cash flows from (used in) financing activities	(189,896)	371,830
Investing activities		
Investment in venture investments	-	(548,000)
Redemptions and repayments by venture investments	300,000	350,000
Acquisition of capital assets	(117,056)	(243,137)
Proceeds from disposal of capital assets	755	11,770
Cash flows from (used in) investing activities	183,699	(429,367)
Increase in cash	1,405,845	590,140
Cash, beginning of year	2,206,996	1,616,856
Cash, end of year	\$ 3,612,841	\$ 2,206,996
Represented by:		
Cash and cash equivalents	\$ 3,028,751	\$ 1,452,698
Reserve funds	639,492	779,492
Bank indebtedness	(55,402)	(25,194)
	\$ 3,612,841	\$ 2,206,996

The accompanying notes form an integral part of the financial statements.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

1. Authority and operations

(a) Authority

The Northwest Territories Development Corporation (the Corporation) is a territorial Crown corporation of the Government of the Northwest Territories (the Government) and operates under the authority of the *Northwest Territories Development Corporation Act* (the Act) which came into effect August 24, 1990. The Corporation and its wholly owned subsidiaries are agents of the Government.

(b) Operations

The Corporation invests in business enterprises in accordance with the economic objectives of the Government through equity investments, subsidies, loans and project contributions. These economic objectives are to create employment and income opportunities for residents of the Northwest Territories, primarily in small communities, to stimulate growth of businesses in the Northwest Territories and to promote economic diversification and stability.

(c) Economic Dependency

The Corporation is economically dependent upon the Government for continued funding.

(d) Taxes

The Corporation and its subsidiaries are exempt from municipal and territorial taxes pursuant to Section 27 of the Act. Furthermore, the Corporation and its subsidiaries are exempt from federal income taxes, pursuant to Paragraph 149(1)(d) of the *Income Tax Act* (Canada).

(e) Northwest Territories Business Development & Investment Corporation Act

The Minister responsible for the Corporation (the Minister) has drafted and plans to table a Bill to enact the Northwest Territories Business Development & Investment Act. If passed in the legislature, the Bill would create the Northwest Territories Business Development & Investment Corporation which then will assume the operations of the Corporation.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

2. Accounting Principles

(a) Principles of Consolidation

These consolidated financial statements include the accounts of the parent company, Northwest Territories Development Corporation, and its subsidiaries. At March 31, 2004, these subsidiaries were:

Subsidiary	Location	Percentage Ownership	Incorporation Date
Light Manufacturing			
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	Fort McPherson, NWT	100%	September 25, 1991
Aklavik & Tuktoyaktuk Furs Ltd.	Aklavik, NWT	100%	June 30, 1997
Dene Fur Clouds Ltd.	Fort Providence, NWT	100%	December 18, 1997
Fine Arts and Souvenirs			
Acho Dene Native Crafts Ltd.	Fort Liard, NWT	100%	October 15, 1992
Wholesale/Retail Stores			
Arctic Canada Trading Co. Ltd.	Yellowknife, NWT	100%	June 28, 1997
Nahanni Butte General Store Ltd.	Nahanni Butte, NWT	51%	October 15, 1992
Rae Lakes General Store Ltd.	Rae Lakes, NWT	100%	October 14, 1992

Muskox Leather Inc. was dissolved in July 2003 and had no revenues from operations during the reporting period. Aklavik & Tuktoyaktuk Furs Ltd. had a wind-up plans approved by the Board in November 2002. Aklavik & Tuktoyaktuk Furs Ltd. is currently operating pending sale of the building in Tuktoyaktuk.

The Corporation controls all of its subsidiaries but does not hold a 100% interest in all of them. The non-controlling interest in the subsidiaries has been reduced by the losses applicable to the non-controlling interest. The excess and any further losses applicable to the non-controlling interest are allocated only to the parent's interest. Subsequent earnings will be allocated proportionately to the non-controlling interest when the parent's previously absorbed losses are recovered.

These consolidated statements include the assets and liabilities of the above named subsidiaries as at March 31, 2004 and the results of their operations for the year then ended.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

2. Accounting Principles (continued)

(b) Inventory

Inventory is valued at the lower of cost and net realizable value, with cost being determined on a first-in, first-out basis.

(c) Venture Investments

Venture investments are in the form of equity investments and loans receivable.

Loans receivable which relate to capital items are carried at the amount of the funds advanced less accumulated provision for loss. When conditions of the loan agreement are not met, the entire principal balance and accrued interest shall become due and payable to the Corporation, at its option.

Loans are classified as impaired either when there is no longer the assurance of the timely collection of payments or when there is a deterioration in credit quality to the extent that the Corporation no longer has reasonable assurance that the full amount of principal and interest will be collected. When a loan becomes impaired, recognition of interest income ceases.

Investments in ventures are carried at cost, or at cost less an allowance for loss on realization.

Loss on investments is recognized when there is other than a temporary decline in value. Provision for loss on investments is determined following a detailed review of the investments and specific provisions are made for those investments known to be in difficulty or have declined in value. Provision for loss on investments includes loan forgiveness and a provision for loss on realization of venture investments. It is not possible to determine the fair value of venture investments given their illiquid nature.

Dividends from venture investments are included in revenue when received and are deposited to the Venture Investment Fund pursuant to Section 17(6) of the Act, to be used for additional investments in venture activities.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

2. Accounting Principles (continued)

(d) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is recorded by the straight-line method at rates set out below:

Buildings	20 years
Equipment	4 years
Office furniture and equipment	4 years
Leasehold improvements	4 years
Computer equipment	4 years
Vehicles	4 years

Prior to April 1, 2000, capital assets were amortized over 5 years or the number of years in which the Corporation had received guaranteed funding from the Government. Buildings acquired subsequent to March 31, 2000 are amortized on a straight-line basis over 20 years while any equipment and software acquired are amortized on a straight-line basis over 4 years.

(e) Employee Benefit Liabilities

The Corporation grants annual leave to employees based upon their respective terms of employment. Any annual leave not used during the year is accrued as an expense at year-end using each employees current salary level.

The Corporation does not maintain a pension plan for its employees but does make matching contributions to a registered retirement savings plan administered by an agent of the employee's choice. These contributions represent the total liability of the Corporation and are recognized on a current basis.

The Corporation also provides a life insurance and healthcare benefit plan through the NWT Chamber of Commerce Group Insurance Plan. The Corporation is not responsible for any future liabilities of this plan and premiums paid to that plan are recognized on a current basis.

(f) Revenue

Revenues earned from operations are recorded as services are rendered. Revenue is recognized on an accrual basis.

(g) Business Development Expenses

Business development expenses include spending on feasibility studies, business plans, investigations, due diligence assessments and appraisals which have been approved by the Board or the President. It is the Corporation's policy to charge these expenses to current year operations.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

2. Accounting Principles (continued)

(h) Contributions from the Government of the Northwest Territories

The Corporation receives a contribution from the Government as set out below. This contribution is used for the purposes set out in the contribution agreement and is not repayable.

The contribution is allocated at the discretion of the Board as approved by the Financial Management Board (the FMB) for the purposes of acquiring capital and venture investments, providing operating subsidies to subsidiaries, financing head office operations, providing project contributions, paying business development expenses and purchasing capital assets for the Corporation.

The amount of the contribution approved by the Board for investment in majority-owned subsidiaries and for the acquisition of capital assets for the Corporation and for working capital advances to the subsidiaries is recorded as deferred capital contribution, and is amortized into income on the same basis as the amortization of the related capital assets and investments.

The amount of the contribution approved by the Board for investment in loans receivable, preferred shares or non-controlling interests in common shares is recorded as Contributed Equity - Venture Investments and is recognized in the year for which the funds are advanced.

The amount of the contribution approved by the Board for providing operating subsidies to the subsidiaries is recognized in the year that the subsidy is paid to the subsidiary. A subsidy allocation which has not been expended at year end lapses. The amount of the contribution approved by the Board for providing project contributions is recognized in the year that the project contribution is paid. The amount of the contribution approved by the Board for financing head office operations and business development expenses is recognized in the year for which it is approved by the Legislative Assembly of the Government.

(i) Federal and Territorial Funding

The subsidiaries apply directly to specific programs and the funding is recognized as income in their financial statements and the consolidated financial statements.

(j) Measurement Uncertainty

The preparation of the financial statements, in accordance with Canadian generally accepted accounting principles, requires the Corporation to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the Corporation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates relate to the provision for loss for venture investments and inventories.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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Notes to the Consolidated Financial Statements

March 31, 2004

3. Job Creation Or Maintenance And Compliance With Investment And Subsidy Limits

The *Act* provides the Corporation with the mandate to create or maintain jobs within the Northwest Territories. To this end, the Government provides a contribution to the Corporation.

Under subsection 16(4) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Subsidy Fund to a subsidiary or for the benefit of a project, a subsidy for operating costs each fiscal year in an amount not exceeding the prescribed maximum of \$25,000 per job created. Under subsection 16(3) of the *Act*, the Corporation may, for each job directly or indirectly created in a project or subsidiary, pay from the Capital Fund to a subsidiary or for the benefit of a project, as initial investment, an amount not exceeding the prescribed maximum of \$100,000 per job created.

The *Act* further states that amounts greater than the prescribed maximums may be provided with the approval of the FMB. The FMB has approved the subsidy expense for the 2003-2004 fiscal year through a Financial Management Board Record of Decision; amounts were expended consistent with the Corporation's policy on Job Creation and Measuring the Results and with the *Northwest Territories Development Corporation Regulations*. Arctic Canada Trading Co. Ltd., with the approval of the FMB, received a subsidy in excess of the \$25,000 per job.

The following jobs were created or maintained by the Corporation, its subsidiaries and venture partners during the 2003-2004 fiscal year. Indirect jobs have been calculated using the Northwest Territories Bureau of Statistics Input-Output Model and have been calculated on an aggregate basis for subsidiary operations. Direct and indirect venture job creation and maintenance numbers have been aggregated in order not to compromise venture operations.

	Current Year Subsidies Provided	Direct Jobs		Indirect Jobs (Aggregate Totals)	
		2004	2003	2004	2003
913044 N.W.T. Ltd. (o/a Fort McPherson Tent & Canvas)	\$ 100,000	11.00	18.50		
Acho Dene Native Crafts Ltd.	95,000	4.00	4.00		
Arctic Canada Trading Co. Ltd.	61,709	1.00	.75		
Dene Fur Clouds Ltd.	200,000	9.00	9.00		
Nahanni Butte General Store Ltd.	75,000	3.00	3.00		
Rae Lakes General Store Ltd.	-	5.00	5.00		
	\$ 531,709	33.00	40.25	14.00	14.00
NWT Development Corporation Head Office		8.00	8.00	5.00	7.00
Venture Investments		41.00	48.25	19.00	21.00
		72.50	76.50	26.00	32.00
		113.50	124.75	45.00	53.00

In fiscal 2003-2004, the total number of direct and indirect jobs created or maintained by the Corporation, its subsidiaries and the ventures that it has invested in, number 158.50 (2003: 177.75).

Aklavik & Tuktoyaktuk Furs Ltd. did not receive any capital or subsidy dollars in the fiscal year, nor did it create or maintain any jobs.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

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4. Government Contributions

	2004	2003
Government of the Northwest Territories		
Contribution for subsidies to subsidiaries	\$ 531,709	\$ 780,000
Contribution to operations and business development	2,589,982	1,985,230
Amortization of deferred capital contributions - Government	88,365	95,194
	3,210,056	2,860,424
Federal and Territorial programs	39,610	44,019
	\$ 3,249,666	\$ 2,904,443

5. Deferred Capital Contributions

	2004	2003
Opening balance	\$ 2,661,530	\$ 2,663,694
Funding received in the year	80,104	93,030
Amortization recognized	(88,365)	(95,194)
Ending balance	\$ 2,653,269	\$ 2,661,530

6a. Funds

The consolidated cash and cash equivalents balance available to the Corporation and its subsidiaries at March 31, 2004 totalled \$3,612,841. This balance consisted of \$639,492 in reserve funds and \$2,973,349 in consolidated cash balances (net of bank indebtedness). The unconsolidated bank balance of the Corporation as at March 31, 2004 was \$3,448,233. The consolidated fund balances of the Corporation are comprised as follows:

Funds available for capital investments	\$ 93,923
Capital Reserve Fund	181,381
Funds available for venture investments	1,587,008
Venture Reserve Fund	458,111
Funds available for operations	633,803
Funds available for subsidies	494,007
	3,448,233
Subsidiary cash balances, net	164,608
Consolidated cash and cash equivalents balance including reserves	\$ 3,612,841

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

6b. Reserve Funds

Pursuant to Sections 16 and 17 of the *Act*, the Corporation is required to administer a Capital Reserve Fund and a Venture Reserve Fund. The Corporation is required to allocate to these funds an amount equal to 10% of the sums paid from the Capital Fund and the Venture Fund. The legislation indicates that allocations are required to these two reserve funds up to a prescribed maximum. The prescribed maximum is \$1 million for both reserve funds.

The Corporation may pay a sum out of the reserve fund to a subsidiary or business enterprise as a further investment or as a short-term or long-term financing to carry on its business. The amount should not exceed the prescribed maximum of \$250,000, or if greater than the prescribed maximum with the Financial Management Board's approval, pursuant to subsections 16(6) and 17(5) of the *Act*.

The Corporation is required to pay amounts in the Capital Reserve Fund that exceed the prescribed maximum of \$1 million to the Consolidated Revenue Fund of the Government. The Corporation is required to contribute to the Venture Reserve Fund until it reaches the prescribed maximum of \$1 million. Further contributions are not required when the maximum is maintained.

	2004	2003
Capital Reserve Fund		
Opening reserve	\$ 321,381	\$ 349,381
Current year reserve deposit	10,000	22,000
Draws	(150,000)	(50,000)
Ending reserve	181,381	321,381
Venture Reserve Fund		
Opening reserve	458,111	153,311
Current year reserve deposit	-	54,800
Repayments	-	250,000
Ending reserve	458,111	458,111
	\$ 639,492	\$ 779,492

6c. Cash Management

The Corporation's cash is pooled with the Government's surplus cash and is invested in a diversified portfolio of high grade, short term income producing assets. The cash can be withdrawn at any time and is not restricted by maturity dates on investments made by the Government. The eligible classes of securities, categories of issuers, limits and terms are approved by the Department of Finance. All instruments, depending on the investment class, are rated R-1 Low or better by the Dominion Bond Rating Service Limited. The Corporation's average annual investment yield to March 31, 2004 was 2.47% (2003: 2.28%).

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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Notes to the Consolidated Financial Statements

March 31, 2004

7. Venture Investments

	2004	2003
Loans Receivable		
Wekweti Development Corporation	\$ 220,000	220,000
Tli-Cho Co-operative Ltd.	212,350	212,350
Nats'enelu Ltd.	100,000	100,000
	532,350	532,350
Less: Provision for loss	(532,350)	(477,350)
	-	55,000
Investments in Shares		
Red Dog Mountain Contracting Ltd.	preferred 1,425,600	1,425,600
Tri-Vanguard Pictures Ltd.	preferred 400,000	400,000
ADK Corporate Group	preferred 300,000	300,000
Canzeal Enterprises Ltd.	preferred -	300,000
Kunnek Resource Development Corp	preferred 300,000	300,000
175119 Canada Inc. (Norweta Cruises)	preferred 273,311	273,311
Two River Development Group Ltd.	preferred 160,000	160,000
Nats'enelu Ltd.	preferred 150,000	150,000
Dunnett Petroleum Ltd.	preferred 135,000	135,000
North Nahanni Naturalist Lodge Ltd.	preferred 100,000	100,000
Enodah Wilderness Travel Ltd.	preferred 98,000	98,000
F.C. Services Ltd.	preferred 30,000	30,000
Acoda Gifts Ltd.	common 15,000	15,000
Tli-Cho Co-operative Ltd.	preferred 100	100
	3,387,011	3,687,011
Less: Provision for loss	(2,258,011)	(2,108,011)
	1,129,000	1,579,000
Net Investment in Venture Investments	\$ 1,129,000	\$ 1,634,000

Investments, in all classes of ventures, for 2004 totalled \$3,919,361 (2003: \$4,219,361) with associated provisions made of \$2,790,361 (2003: \$2,585,361). Impaired loans in 2004 total \$532,350 (2003: \$532,350); the associated provision for loss is \$532,350 (2003: \$477,350).

Net charge to income in 2004, in respect to loan impairment, was \$205,000 (2003: \$457,050). In 2004, there were no recoveries on loans written off (2003: nil).

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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Notes to the Consolidated Financial Statements

March 31, 2004

7. Venture Investments (continued)

Preferred Shares and Dividends

Investments in preferred shares carry the right of conversion to common shares. This right, if exercised, may result in the holding of a controlling interest under certain circumstances. The Corporation does not exercise significant influence on its venture investments.

Preferred shares are redeemable at the option of the Corporation, and earn dividends at variable rates. Dividends have been waived for the first three years for certain of the investments. Investment yields vary from year to year due to the amount and timing of dividend and interest income received; venture investments earned \$173,703 in 2004 (2003: \$105,791).

Forgiveness

Under the provisions of the *Financial Administration Act*, an account can only be approved for forgiveness by either the Legislative Assembly (over \$1,000) or the FMB (\$1,000 or less). Once an account has been forgiven, no further collection action is possible.

In 2004, no accounts were forgiven by the Legislative Assembly (2003: five accounts totalling \$1,411,239). No accounts were forgiven by the FMB in 2004 (2003:nil).

8. Capital Assets

	Cost	Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Land	\$ 20,247	\$ -	\$ 20,247	\$ 18,247
Buildings	4,600,335	3,922,282	678,053	494,082
Equipment	745,762	631,293	114,469	2,132
Leasehold improvements	252,909	249,490	3,419	6,840
Office and equipment	384,733	383,934	799	7,666
Computer equipment	120,402	118,067	2,335	3,502
Vehicles	108,515	98,713	9,802	15,232
Construction in progress	-	-	-	287,741
	\$ 6,232,903	\$ 5,403,779	\$ 829,124	\$ 835,442

The majority of the capital asset balance has been amortized due to accounting treatment that tied the amortization to the subsidy reporting period. That reporting period varied in length, from one to five years.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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Notes to the Consolidated Financial Statements

March 31, 2004

9. Bank Indebtedness

Bank indebtedness represents bank overdrafts that carry an interest rate of prime plus 5.0%.

	2004	2003
Bank overdrafts	55,402	25,194

10. Long-term Debt

	2004	2003
Aurora Fund loan repayable at end of term. Simple interest of 7.00% (\$9,450) payable monthly.	\$ -	\$ 1,620,000

In relation to the Aurora Fund loan, the Corporation was required to make monthly payments into a sinking fund, held by a trustee, for the redemption of long-term debt. At the end of the five year term, January 2004, the sinking fund was used to repay the full amount of the loan.

	2004	2003
Sinking Fund Balance	\$ -	\$ 1,350,000

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

11. Consolidated Statement of Cash Flow - Summaries

(a) Changes in Non-cash Operating Working Capital

	2004	2003
Accounts receivable	\$ (30,598)	\$ 66,122
Inventory	53,102	(177,606)
Deposits and prepaid expenses	9,384	6,150
Accounts payable and accrued liabilities	169,487	(292,965)
	\$ 201,375	\$ (398,299)

(b) Contribution From Government

Capital funds	\$ 80,104	\$ 93,030
Venture funds	-	602,800
	\$ 80,104	\$ 695,830

12. Commitments

Lease Obligations

The Corporation is committed to operating leases for rental of office space and equipment at the future minimum payments as set out below:

	2004	2003
2004	-	149,115
2005	125,733	40,102
2006	28,040	10,739
2007	-	575
	\$ 153,773	\$ 200,531

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

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13. Related Party Transactions

The Corporation is related, in terms of common ownership, to all Government of the Northwest Territories created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business at normal trade terms.

Transactions with related parties and balances at year end, not disclosed elsewhere in the financial statements, are as follows:

	2004	2003
Revenues		
Sales	\$ 63,834	\$ 123,733
Expenses		
Purchases	\$ 679,112	\$ 495,076
Balances at year end		
Accounts Receivable	\$ 13,321	\$ 14,594
Accounts Payable	\$ 152,888	\$ 75,991

Furthermore, the Corporation receives audit services without charge from the Office of the Auditor General of Canada.

14. Financial Instruments

The Corporation's financial instruments, as referenced in the financial statements, consist of cash, reserve funds, investments, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness. These financial instruments may be exposed to significant interest rate and credit risks. The financial statements and accompanying notes contain, according to management's best efforts, the relevant information necessary for a reasonable assessment of these risks. The fair value of these financial instruments, where determinable, approximate their carrying amounts unless otherwise noted.

15. Subsequent Event

In May 2004, the Corporation signed an agreement with the Wekweti Development Corporation (Wekweti) to convert its loan receivable from Wekweti to preferred shares.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

Northwest Territories Development Corporation

Notes to the Consolidated Financial Statements

March 31, 2004

16. Selling and Administrative Expenses

	2004	2003
Salaries and wages	\$ 1,714,796	\$ 1,670,867
Utilities	228,408	180,067
Office and general	159,328	195,410
Rent	144,955	155,794
Advertising and promotion	137,467	172,569
Travel	137,012	190,702
Board members	108,316	73,443
Professional fees	97,222	85,774
Telephone	43,627	48,788
Bank charges and interest	39,304	60,945
Workshops	9,033	3,945
Bad debts (recovery)	(12,637)	35,325
	\$ 2,806,831	\$ 2,873,629

Northwest Territories Development Corporation
Notes to the Consolidated Financial Statements

March 31, 2004

17. Segmented Information

	Acho-Dene Crafts	Aklavik & Tuk Furs	Arctic Canada Trading Co.	Dene Fur Clouds	Ft. McPherson Tents	Nahanni-Butte General	Rae Lakes General	2004 Total
Revenues	\$ 169,348	\$ 1,704	\$ 280,919	\$ 116,549	\$ 487,436	\$ 320,523	\$ 962,123	\$ 2,338,602
Net loss before subsidy	\$ (120,807)	\$ (17,514)	\$ (102,235)	\$ (306,045)	\$ (58,691)	\$ (115,590)	\$ (4,677)	\$ (725,559)
Subsidy	\$ 95,000	\$ -	\$ 61,709	\$ 200,000	\$ 100,000	\$ 75,000	\$ -	\$ 531,709
Profit (loss) after subsidy	\$ (25,807)	\$ (17,514)	\$ (40,526)	\$ (106,045)	\$ 41,309	\$ (40,590)	\$ (4,677)	\$ (193,850)
Deficit								
March 31, 2003	\$ (734,967)	\$ (953,583)	\$ (455,182)	\$ (322,728)	\$ (1,190,274)	\$ (943,028)	\$ (132,701)	\$ (4,732,461)
Deficit								
March 31, 2004	\$ (760,776)	\$ (971,100)	\$ (495,712)	\$ (428,776)	\$ (1,148,967)	\$ (983,615)	\$ (137,379)	\$ (4,926,325)

In 2003 Muskox Leather Inc. had a surplus of \$9,671, making the overall surplus/(deficit) at March 31, 2003: \$4,722,790. The company was dissolved in 2003 and is not included in the segmented information for 2004 above.

Inter-segment sales are accounted for at prices comparable to open market prices for similar products and services.

NORTHWEST TERRITORIES DEVELOPMENT CORPORATION

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