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BAFFIN FISHERIES



2015-16 Annual Report

Baffin Fisheries
P.O. Box 6008
Iqaluit, Nunavut
X0A 0H0

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1. Executive Summary



Overview

Baffin Fisheries (BF or BFC) is a 100% Inuit-owned and controlled seafood harvesting company based in Iqaluit, NU. The Company relies entirely on the harvest and sale of Greenland Halibut (turbot) and Northern shrimp (Borealis and Montague) to generate the revenue necessary to finance vessels, pay wages, invest in growth opportunities, support the Company, and provide benefits to Nunavummiut. In addition to its regular operating costs, BFC provides shareholder payments to the five Nunavut HTO owner groups. In 2015-16 BFC increased total shareholder payment to \$1.2 million, plus a \$50,000 donation.

Harvesting

For 2015-16 Baffin Fisheries harvested 100% of its OA/OB turbot allocations and purchased additional allocations held by a third-party at competitive market rates. This harvest of turbot from other allocations holders reflects BFC expansive harvesting capacity and its adherence to a progressive business model.

It should be noted that in Fiscal 2016 Baffin Fisheries further increased its harvesting capacity through vessel acquisition to move away from a royalty profit model and achieved its objective of establishing 100% Inuit ownership of all vessels and assets.

BFC has been active in shrimp fishing areas of the NSA (Nunavut East & West), and has been making concentrated efforts to harvest in SFA 1 & SFA Davis Strait during 2015-16. BFC also fished southern shrimp areas as per contractual agreements. In 2015 BFC harvested northern shrimp from SFA 2,3,4,5 and 6 through royalty arrangements with other allocation holders and through BFC's own allocation.

In 2015-16 Baffin Fisheries was active in restructuring efforts and the development of a business plan to increase fishing capacity and move away from a royalty based fishery for the shrimp fishery. In the 2016-17 Baffin Fisheries will harvest 100% of its shrimp allocation, and anticipates it will complete this harvest with 100% Inuit-owned vessels.

Organizational Structure

BFC is jointly owned and controlled by five Hunters and Trappers Association members: Amarok, Pangnirtung, Mayukalik, Mittimatalik and Namautaq.

In conjunction with the 2015-16 establishment of 100% Inuit ownership of all vessels and assets, BFC increased Inuit representation and input by doubling the size of its Board of Directors from five to ten voting members appointed by shareholder HTOs.

Each HTO (or *member organization*) appoints two (2) persons to attend and vote at BFC shareholders meetings, and it is the responsibility of these individuals to report back to their respective community organizations.

Baffin Fisheries is comprised of seven subsidiary companies. These companies are responsible for the day-to-day management of operations, marketing, supply, and running of the vessels.

- Niqitaq Fisheries Ltd. (NFL) (100% ownership)
- Arluk II Fisheries Ltd. (AFL) (65% BFC ownership; 35% HTO ownership)
- Oujukoaq Fisheries Ltd. (OFL) (100% ownership)
- Inuksuk Fisheries Ltd. (IFL) (100% ownership)
- Remoy Fisheries Ltd. (RFL) (100% ownership)
- BFC Crewing Inc. (100% ownership)
- Baffin Industrial and Marine FTSO Ltd. (100% ownership)

BFC and five of its subsidiary companies have Inuit Firm Status.

Qualifications

BFC has successfully developed and executed operations ensuring that quotas were harvested efficiently. Additionally, the experience and knowledge of executive, directors, staff, and key personnel further stands as a testament to the continued qualification of BFC in this industry. The future expansion operation outlined later in this document will highlight not only BFC's commitment to manage current fisheries allocations but to expand and improve on the transparency and effectiveness of operations, to maximize the benefit to Nunavummiut.

Transition and Development Plan

In 2015, a decision was made by the board of Directors to significantly restructure the Company. The intent of this restructuring was to focus on BFC's primary mandate of long-term development and self-sufficiency. This renewed focus has allowed BFC to broaden its perspective on its ongoing operation with the intent of: increasing the efficiency of harvesting existing allocations, exploring and expanding into new sources of product (both inshore and southern allocations), and identifying strategic acquisitions that remove BFC's reliance of foreign/southern partnerships. This model is intended to position BFC as a world-class leader in the fishing industry, from source to market.

Financial

Through the process of acquiring the outstanding shares in Inuksuk Fisheries and the purchase of the FV Sivulliq, BFC continues to steadily increase its revenue. This income allows BFC to continue to expand its investment directly into fisheries related strategies and to start looking towards infrastructure and other community based investments. It is through this strategy of continued growth and investment that BFC strives towards maximizing local benefits.

Vessel Acquisition – As part of BFC's new commitment to long-term development and its transition strategy, there were a number of active investments made in 2015. The first major investment is the purchase of a factory freezer trawler, the Sivulliq. The vessel is capable of fishing both turbot and shrimp, and is wholly owned and operated by BFC with all profits being directed back to the member associations. Through investing in this vessel BFC increased its capacity to respond to any increases in allocation, assist other allocation holders, and expand its harvest into other Nunavut adjacent fisheries. The Sivulliq is active in the 2016 fishery.

Share Purchase – In addition to the purchase of a new vessel, BFC purchased as planned the remaining 49% shares in Inuksuk Fisheries Ltd. (operator of Inuksuk I). The acquisition of all outstanding shares in Inuksuk Fisheries Ltd. Was completed in December 2015. In 2016 this acquisition will increase the direct benefits achieved through the harvests from this vessel as profits will no longer be shared under a partnership agreement.

Inshore fishery – While Baffin Fisheries' primary mandate focuses on the continued development and expansion of the offshore fishery, BFC has identified the development of inshore fishery capabilities as a key strategic objective. As part of this commitment, Baffin Fisheries continues to explore opportunities to support the inshore fishery. Prior to the acquisition of vessels, Baffin Fisheries commenced in 2015-16 a review of processing and cold storage capabilities at HTO facilities in each of the five stakeholder communities.

In 2015-16 Baffin Fisheries committed to the development of improved HTO facilities in Pangnirtung and Pond Inlet, and committed to consulting with HTO Boards in Kimmirut, Clyde River, and Iqaluit to determine the priorities for these communities. Subsequent to the fiscal year end, a new building lot was obtained from the Pangnirtung Hamlet, and a new 3,000 square foot HTO office building was completed. In addition, planning commenced for construction of a new processing area and cold storage facility for the Mittimatalik HTO in Pond Inlet. Construction is expected to take place next year.

Over the coming years BFC will be actively working with local communities to explore the interest and the sustainability of an inshore fishery. This will involve both community outreach and development programs along with working with private hook and line harvesters. The hope is to provide the required equipment, infrastructure, and skills required to develop a sustainable inshore fishery.

Operations

BFC continues to fully harvest all its turbot allocation annually. The completed acquisition of the Sivulliq and the move to 100% ownership of the Inuksuk has increased this surplus capacity for future seasons.

For shrimp, in the northern regions BFC is an active partner and heavily supportive of research surveys to identify the economic viability of the fishery. As part of this BFC has shown that the Ungava Bay area (Nunavut East & West) can support a viable fishery, and continues to harvest here annually.

2015 Shrimp Harvest

Prior to 2015, BFC was reliant on southern or foreign partners to harvest its full shrimp quota. Recognizing that partnerships reduce opportunities for increased benefits to Nunavummiut, BFC sought to exit such partnerships, and leverage existing assets to acquire its own fleet.

With the acquisition completed, and new vessels acquired, Baffin Fisheries will access its full shrimp allocation in 2016-17.

Employment

BFC firmly believes that in addition to the revenue generated directly by the harvest of the resource, the training, recruitment, and employment of staff contributes the largest benefit back to the local communities. It is the aim of BFC to have skilled Nunavummiut throughout all levels of BFC operations. BFC's position is that its new business model will maximize benefits to Nunavummiut throughout all levels of both its corporate and operational levels.

During 2015-16 Baffin Fisheries began development of a Northern Expansion program to hire Inuit recruitment personnel in HTO communities in order to increase the number of Inuit onboard BFC vessels and to create additional positions in the communities for data interpretation and administrative work. Subsequent to the year end, BFC hired a new Recruitment and Crew Coordinator in Iqaluit to begin recruitment of additional administrative and crew positions.

Overall, BFC's objective is to move more Inuit into technical and managerial positions on the vessels and onshore, as their experience and training levels improve. This objective, partnered with BFC's strategy to increase harvesting activity (through vessel and adjacent quota acquisition) aims to increase the employment opportunities for local Inuit throughout the year.

Staff-training and Development Plan

BFC has always been dedicated to training Inuit from all across Nunavut to be part of the crew on its offshore fishing vessels, as well as generally in the fishing industry. BFC sponsored training programs to provide the skills and knowledge necessary for Inuit beneficiaries to take advantage of this economic opportunity. One of the goals is for Inuit beneficiaries to realize that

participation in the fishing industry can be a life-long career as opposed to a short-term job. BFC has been a strong proponent of the training and mentoring program and will continue in the future to contribute its financial and other resources to the continuing development.

Research and Development

BFC recognizes that research and science are essential components to the development, stewardship, and sustainability of the Nunavut Fishing Industry. It is BFC's firm belief that through the continued support of scientific and community based research the fishery can be managed sustainably to provide maximum benefit to local people.

Stewardship

BFC works with industry stakeholders and regulatory agencies to continuously improve its operations. BFC is a strong supporter of NWMB's Responsible Stewardship guidelines. In the last several years few nets were lost and 100% observer coverage for shrimp and OA turbot was achieved. In 2015, and future years, BFC will continue to fully comply with NWMB's Responsible Stewardship guidelines.

Compliance Milestones 2015

- Maintained 100% observer coverage for all mobile gear shrimp, and all turbot in OA over the past several years.
- Complied with all of the relevant legislative and policy requirements of DFO, including licence conditions, regulations, management plans, and conservation harvesting plans.
- Complied with all Transport Canada's relevant environmental stewardship requirements for fishing vessels.
- Complied with applicable Species at Risk Act (SARA) measures for marine species at risk.

2. Governance



Baffin Fisheries Board of Directors, from left, back row: Leo Maktar (Corporate Treasurer), Methusalah Kunuk (Vice-President and Vice-Chair), Jerry Natanine, Noah Mosesee, Jacopie Maniapik (President and Chair); middle: Mikidjuk Kolola; front row: Sam Palituq, Ben Kovic, Joannie Ikkidluaq.

Governance Plan

Description of Ownership and Management Structure

BFC was initially an organization of nine (9) Inuit-owned organizations. Five of the nine were Hunters and Trappers organizations on Baffin Island and four were private companies that had historically been involved in the Nunavut fishery. However, in keeping with the Access and Allocation guidelines established by the NWMB a decision was made to remove private companies as members of BFC. As of July 2011 BFC is an organization comprised of five Hunters and Trappers Association members: Amarok, Pangnirtung, Mayukalik, Mittimatalik and Namautaq.

As a result of a December 10, 2015 Board decision, and in conjunction with the 2015-16 establishment of 100% Inuit ownership of all vessels and assets, BFC increased Inuit representation and input by doubling the size of its Board of Directors from five to ten voting members appointed by shareholder HTOs.

Each HTO (or member organization) appoints two (2) persons to attend and vote at BFC Board meetings, and it is the responsibility of these individuals to report back to their respective community organizations.

Royalty Fees for Quota Allocations

Since buying out its foreign partners and increasing the size of the fleet in 2015, BFC does not require the chartering of other company vessels to harvest its own allocation in exchange for a royalty. However, from time to time, BFC may still enter into chartering arrangements if the arrangement includes reciprocal quota allocation that assists BFC in maximizing the use of its vessels throughout the year, or if unanticipated incidents make it impossible for BFC vessels to operate as planned. In cases where agreements are established for chartering of vessels, BFC's HTO shareholders benefit from 100% of the royalties and profits. In addition, all non-ownership vessels must also provide Inuit employment on the vessels.

For the harvesting of shrimp or turbot from other allocation holders, BFC enters into agreements on a royalty basis. To continue to expand and develop sustainably, BFC's policy in dealing with outside vessel operators is to first identify operators that have resources or quotas in adjacent areas.

3. Business



The Sivulliq can hold up to 620 tonnes of flash frozen, wild, cold water turbot.

Operations

Fleet

BFC allocations have been harvested by various vessels since the formation of the company. Vessels have varied dependant on availability, gear type, available season lengths, and partnership arrangements. The continued optimization of the fleet ensures that BFC can increase season lengths for vessels, grow employment opportunities, and maximize the benefits for Nunavummiut.

Fixed-gear Vessels

BFC currently operates two fixed-gear vessels: the Arluk II and the Sikuvut. These vessels are 30m and 42m in length, respectively. Both vessels are factory freezer design with capacity of approximately 10-15 tonnes per day. Both vessels can accommodate approximately 15 crewmembers. Subsequent to the end of the fiscal year, in summer 2016, the Arluk II was actively involved in the turbot fishery, and the Sikuvut was in for assessment and repairs.

Mobile-gear Vessels

BFC's mobile-gear vessels are used in the harvest of both turbot and shrimp. The flexibility, efficiency, and larger capacity of these vessels make them the ideal choice when considering future fleet expansion. The Inuksuk I is a 62 m factory-freezer trawler built in 1987. It has a total daily capacity of 525t of turbot or 420t of shrimp and accommodations for 22-28 crewmembers.

Guided by the objective of continued development, in the later part of 2015 BFC purchased a second mobile gear vessel, FV Sivulliq. It is 64 m factory-freezer vessel, built in 2001, with

accommodations for 25 crewmembers. This vessel has the ability to fish both turbot and shrimp and will replace the need for southern vessels to harvest shrimp. Both vessels are actively fishing for BFC in 2016.

Turbot

Harvesting Plan

The 2016 fishing plan calls for the successful harvest of the full quota allocation, despite a heavy vessel maintenance and upgrade schedule in the 2016 calendar year.

Summary

The Inuksuk I will harvest shrimp in the south from early to mid-December to April, and turbot in the north from May/June to end of December. The Arluk II harvested turbot in the north from late May to November 10th (DFO has a set time frame for fixed gear vessels to finish OA fishery; this is based on the ice conditions). Due to the existing and continued investment outlined in this plan, BFC anticipates having a surplus capacity allowing for any recommended quota increases or support for other allocation holders. With completion of Canadian flagging and major upgrades for the Sivulliq in 2016, BFC expects to significantly increase this surplus capacity for future seasons.

Shrimp

Harvesting Plan

BFC has been active in shrimp fishing areas of the NSA (Nunavut East & West), and has been making concentrated efforts to harvest in SFA 1 & SFA Davis Strait during 2015-16. BFC also fished southern shrimp areas as per contractual agreements. In 2015 BFC harvested northern shrimp from SFA 2,3,4,5 and 6 through arrangements with other allocation holders its own allocation.

Historically, shrimp fishing in NSA waters has occurred at a small scale. Since 2006, with the decision to increase overall quotas, BFC has actively pursued the development of this resource. In the early development stage, it was recognized that to maximize the potential capacity to harvest shrimp additional vessels would be required. Many fisheries globally have been developed by allowing the industry member to transition vessel between species throughout the season. This provides for maximum utilization of existing fleet vessels and continuous employment for employees throughout the year. Unfortunately, the turbot season in OA and the SFA 1, Davis Strait East (DSE), Davis Strait West (DSW), and Nunavut/Nunavik East and West (NU/NK E & W) overlap. This previously required BFC to focus its fishing effort during this period on OA turbot, meaning large portions of the allocated shrimp quota was not fished annually.

Recognizing that this resource was being underutilized, BFC worked toward expanding the capacity to harvest the annual allocation. Prior to the 2009/10 shrimp season, BFC entered into agreements with operators of Canadian-flagged factory freezer vessels to harvest the allocation on their behalf. During the 2009/10 and 2010/11 harvesting seasons, BFC were unable to identify Canadian vessel operators willing to harvest the allocation. It was recognized that existing economic issues such as fuel price and exchange rate were likely the reasons for the lack of interest expressed by Canadian operators.

Investment in Developing Davis Strait Fishery

In 2013-15, BFC invested significantly in Davis Strait to gain the knowledge necessary to turn the non-viable Davis Strait fishery into a profitable venture, and provide jobs and benefits to Nunavummiut. In 2015 BFC conducted 53 tows over a 15-day period, netting 116 tonnes. This harvest rate is economically unviable. However, BFC is committed to investing time and resources in this area to confirm the eventual viability of its quota. Using the knowledge gained over the past three years, and the vessel acquired in 2015, BFC will be well positioned to develop the commercial viability of this fishery in the future.

Figure 6 - BFC Davis Strait Harvest Effort (Borealis) 2015

Harvest Date	Harvest Weight (kg)	Tow Time	# Tows/ 1 Trawl	# Tows/2Trawl
02-Jul-15	3,002	19:10	0	6
03-Jul-15	3,996	16:10	0	4
04-Jul-15	2,334	13:00	4	0
05-Jul-15	3,388	14:35	3	0
06-Jul-15	0	0:00	0	0
28-Jul-15	6,322	4:30	0	1
29-Jul-15	12,940	20:50	0	4
30-Jul-15	16,661	16:45	0	4
31-Jul-15	9,031	20:35	1	3
01-Aug-15	8,960	20:10	0	4
02-Aug-15	7,398	19:50	0	3
03-Aug-15	12,517	22:15	1	3
04-Aug-15	11,136	16:15	1	3
05-Aug-15	10,125	16:35	1	3
06-Aug-15	8,759	20:19	0	4
15 Days	116,569	Average: 16:03	11	42

Previously, vessels owned by BFC were utilized to full capacity for harvesting turbot quotas in the short fishing season of the Nunavut Waters. As a result, BFC's shrimp allocations were harvested mostly under agreement with third-party fishing vessels. With the successful acquisition and upgrading of the Sivulliq, BFC anticipates that the use of southern vessels will no longer be required to harvest its shrimp allocation. Additionally, to provide year-round operations, the Inuksuk fishes for shrimp in southern waters during the Nunavut off-season, which runs from December through May inclusive. Third party quota holders, to whom BFC pays royalties, provide access to this allocation. In return BFC has to make turbot available to the third. It's BFC's intent to identify similar arrangements to provide the Sivulliq with year-round harvesting opportunities.

While BFC has had some success in the past in harvesting shrimp in Nunavut's adjacent waters there are still many inconsistencies in the shrimp available in SFA 1 & 2. In the northern regions BFC is an active partner and supportive of research surveys to identify the economic viability of the fishery in this region. As a result, BFC has shown that the Ungava Bay area (Nunavut East & West) can support a viable fishery, and continues to harvest here annually.

Landing and Processing

All turbot and shrimp are processed and packaged on board the fishing vessels. Finished product is discharged in Nuuk and Sisimiut, Greenland or Bay Roberts, Newfoundland at privately owned refrigeration facilities. Product is then shipped to the international market as sold through existing marketing arrangements. BFC continues to develop new opportunities to increase the return to shareholders by negotiating favourable cold storage rates, and conducting detailed cost-benefits analyses for selecting offloading sites, and exploring all options for maximizing final sale price.

Sales and Marketing Plan

Baffin Fisheries is recognized internationally as a premium supplier of wild, sustainable, cold water seafood products. In 2016 Baffin Fisheries commenced implementation of a plan to take control of the sales and marketing function. The Company is developing an in-house sales/marketing team rather than relying on the past model of selling to a global, third-party seafood distribution company which then re-sells to seafood buyers.

The goal of this plan is to ensure the company maximizes the market price for its premium seafood products to ensure shareholders receive the maximum benefit from the resource. The Company believes there is a premium value to the wild, cold water turbot and shrimp harvested from the pristine Arctic waters off Baffin Island and that this value has not been fully realized in the past.

Brand Value

Baffin Fisheries' goal has been, since its inception, to develop a strong brand awareness for fish species harvested in Nunavut's pristine, cold water environment. Packaging is displayed prominently with the Baffin Fisheries logo, as well as the Truly Wild logo. In the markets where this product is marketed, it is recognized as a quality branded product, from Nunavut. The Company plans to continue to increase this market awareness and to further distinguish its product from lower-value species from other regions.

Baffin Fisheries products are processed and packaged within hours of harvest in factory freezers onboard modern vessels. Turbot is packaged in two ways: Head-removed gutted (H/G >1 kilo) form and whole fish (< 1 kilo). The primary markets for our H/G turbot, as well as heads and tails, are the Asian countries of China, Taiwan and Japan. Some of the larger H/G turbot is sold into Germany for the smoking industry. The smaller, whole turbot is marketed primarily in China. Our raw larger shrimp are sold into the Japanese market, the Chinese market, and, prior to 2014, were being sold into markets in Russia, Ukraine, and other former eastern bloc countries. However due to the ban on Canadian products into Russia and poor economy in Ukraine, these market is no longer available to us. Industrial shrimp are sold primarily to cook and peeling plants in Scandinavia and Greenland.

Administrative Support

BFC has expanded its support facilities in St. John's to improve vessel supply and support, product offloading, product quality control, financial management, and to explore expansion opportunities. With the increase in fleet size and buy-out of its partner company, Baffin Fisheries

is implementing new software and processes to better manage purchasing, inventory management, and vessel maintenance.

Vessel Maintenance and Upgrades

This has been an exciting and challenging time for BFC. The Arluk II had very successful fishing seasons in 2015 and 2016. The purchase of the remaining shares of Inuksuk and the outright purchase of the Sivulliq has brought great opportunities and results for the Company.

Subsequent to the purchase of the FV Sivulliq, the vessel underwent upgrades and improvements to adhere to Transport Canada regulations as part of the Canadianization of the vessel. The Sivulliq also required significant work to become fully functional for fishing shrimp and turbot in the North. The Sivulliq was acquired late in the fishing season, which reduced harvesting opportunities.

Necessary investments and expenses in improving these vessels have strengthened BFC's overall position in the market and add value to fishing assets for improved performance going forward.

Benefits

Employment

BFC firmly believes that in addition to the revenue generated directly by the harvest of the resource, the training, recruitment, and employment of staff contributes the largest benefit back to the local communities. It is the aim of BFC to have skilled Nunavummiut throughout all levels of BFC operations. BFC's position is that its new business model will maximize benefits to Nunavummiut throughout all levels of both its corporate and operational levels.

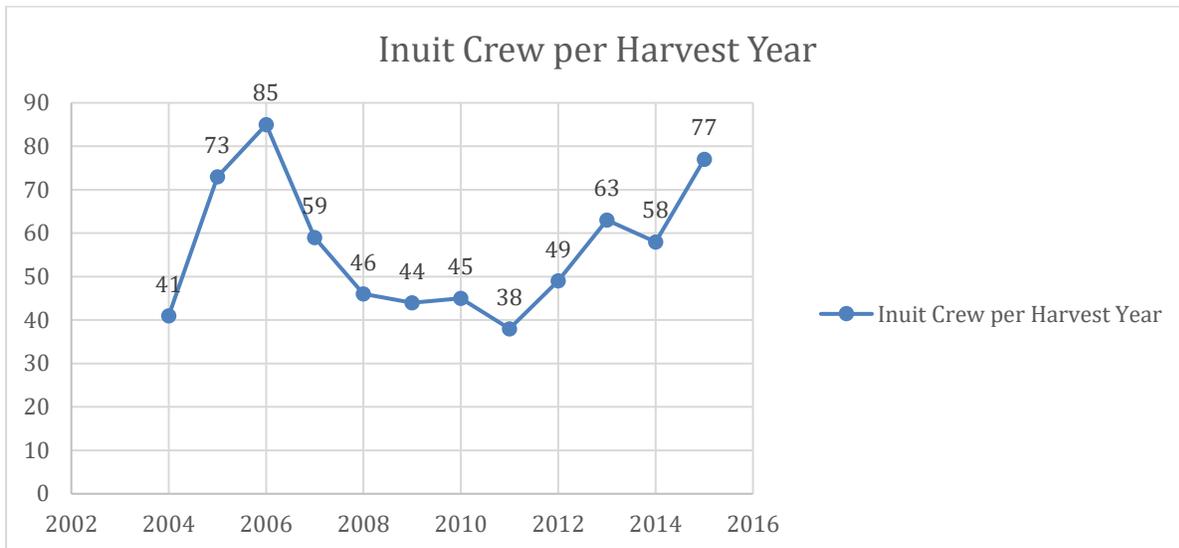
Over the last few years fishing vessels have gone through a revolution on technical aspects and the need for skilled personnel is increasing. This means BFC continues to require more qualified and technical personnel as it to expand its role in all aspects of the Nunavut offshore and inshore fisheries. The recruitment, training, and retention of young skilled workers is critical to accomplishing this.

Economic Opportunities Provided Through Employment

Due to the mixed nature of BFC's fleet, the number of Inuit employed may vary. Multi-species vessels such as the Inuksuk I are capable of fishing turbot and shrimp year round, unlike the Arluk II and the Sikuvut, which can only harvest turbot and subsequently have a shorter season. Inuit employment is also affected by availability of trained employees.

BFC's objective is to move more Inuit into technical and managerial positions on the vessels as their experience and training levels improve. This objective partnered with BFC's strategy to increase the fishing season length of its fleet (through vessel and adjacent quota acquisition) aims to increase the employment opportunities for local Inuit throughout the year.

Figure 1 - Inuit Crew per Harvest Year



Development/Implementation of Inuit-appropriate Working Conditions/Environment

Ultimately, BFC's goal is to have Inuit working in all aspects of operational and managerial teams, in an Inuit-appropriate environment. To continue to improve and achieve this goal, BFC and NFMTC have worked together to improve training for our Inuit crews.

BFC ensures that all signage and operations manual on its vessels are bilingual, written in Inuktitut and English. All memos, posting, and notices to staff are provided in both languages. Additionally, BFC employs a community liaison and translator, allowing crew to communicate in their preferred language.

BFC continues to work to increase the staffing and presence in its corporate office in Iqaluit. The objective is to increase its presence and communication with local communities and other Nunavut-based organizations. BFC is continually reviewing all aspects of training and the most cost effective manner in which Inuit crew can progress with the appropriate combination of experience and education.

Recruitment/Retention Plan

Some of the aspects of the mentorship program are a direct result of a Retention Strategy that was developed to recruit and retain Inuit in the fishing industry. Baffin Fisheries works with all industry partners and NFMTC to ensure successful mentoring. The mentoring plan will include:

- Follow-up with students after completing their training
- Follow-up with Inuit employees after completing Trip 1 and 2
- Identifying crew who are ready for additional training
- Provide advanced training for crew
- Maintain contact with individuals no longer in the fishery, to monitor situational changes

As part of the program NFMTTC annually provides lists of graduates to all partners in the agreement. In turn the partners supply NFMTTC annual crewing lists so that statistics on retention and training can be maintained.

It is anticipated that these activities will contribute to an increased number of Inuit crewmembers from across Nunavut, as well as an increased length of employment. One of the goals is for Inuit beneficiaries to realize that participation in the fishing industry can be a life-long career as opposed to a short-term job. BFC has been a strong proponent of the training and mentoring program and will continue in the future to contribute its financial and other resources to the continuing development.

In 2015-16, Johnny Itulu was promoted to First Mate aboard the Arluk II, having completed a successful mentorship under Captain Mark Letto. He started with the Company as a Deck Hand, worked his way to Assistant Factory Boss, Factory Boss and now First Mate. He is believed to be the first Inuit to achieve necessary accreditation for this position and to gain significant practical hours serving in this capacity. In his first three trips as First Mate, the Arluk II enjoyed some of its most successful harvesting ever. It is hoped that Johnny’s success will serve as inspiration for other Inuit to rise to higher levels in vessel management and it is BFC’s ultimate goal to have Inuit employees rise to the top rank, of Captain, aboard vessels. The Company will continue to promote his success to help encourage others to take the training required, work with a mentor and take on additional responsibilities on board our vessels.

In 2016 BFC hired a new Recruitment and Crew Coordinator in Iqaluit to increase recruitment of additional administrative and crew positions. This new full time position is responsible for promoting Baffin Fisheries seagoing opportunities and recruiting new personnel from Nunavut communities. The Coordinator is also responsible for managing all aspects of seagoing personnel administration, and liaising with the other Nunavut recruitment/crewing officers to encourage individuals to apply to relevant training programs and to Baffin Fisheries for Employment.

Figure 2 - 2015 NFMTTC Offshore-based Training

2015 NFMTTC Offshore-based Training	Total Enrolled	Total Completed	BFC Crew Participation	% BFC Crew
Simulator	12	11	1	8.3
Bridgeward	20	16	4	20.0
STCW	24	24	6	25.0
Watchkeeping Mate	8	4	2	25.0
Fishing Masters III	-	-	-	-
Factory Freezer Management	5	5	1	20.0
Total	69	60	14	20.3

Figure 9, above, shows the participation of BFC crew in higher level training courses offered by the NFMTTC.

Staff-training and Development Plan

BFC has always dedicated to training Inuit from all across Nunavut to be part of the crew on its offshore fishing vessels, as well as generally in the fishing industry. BFC sponsored training programs to provide the skills and knowledge necessary for Inuit beneficiaries to take advantage of this economic opportunity.

Northern Expansion Plan

During 2015-16 Baffin Fisheries began development of a Northern Expansion program to hire Inuit recruitment personnel in HTO communities in order to increase the number of Inuit onboard BFC vessels and to create additional positions in the communities for data interpretation and administrative work.

The first phase of the project will create new, full-time, permanent jobs in Nunavut. Once in place, these positions will play a key role in increasing employment aboard Nunavut fishing vessels. The second phase of the project will aim to achieve and maintain a minimum of 50% Inuit crew on board fishing vessels.

Subsequent to the year end, BFC hired a new Recruitment and Crew Coordinator in Iqaluit to begin recruitment of additional administrative and crew positions.

Training

BFC firmly believes that in addition to the revenue generated directly by the harvest of the resource, the training, recruitment, and employment of staff contributes the largest benefit back to the local communities. BFC has always dedicated to training Inuit from across Nunavut to be part of the crew on its offshore fishing vessels, as well as generally in the fishing industry. **BFC is the largest contributor to the NFMTC, contributing more funding than all other Nunavut Fisheries enterprises combined.**

Nunavut Fisheries and Marine Training Consortium (NFMTC)

In the early years, NFMTC's focus was on pre-sea courses; introductory courses required by individuals to become crew on an offshore vessel. During the period of 2009-2012, there was a greater focus on higher levels of training through the delivery of various Bridgwatch programs, Fisheries Observer, Offshore Shrimp Processing and Marine Safety and First Aid. In addition to offshore training programs, courses offered focusing on other aspects of the industry such as land-based processing plants and inshore fisheries.

The inshore fishery has been supported through the delivery of a Fishing Masters IV program, which produced four Fishing Masters and two Officers of the Watch. As well, the delivery of Net-making and Small Vessel Operator Proficiency courses also contributed to the development of the inshore fishery. To address the need for vessel maintenance skills that are common in the inshore fishery, several vessel maintenance courses were offered as well during this period.

Figure 10 shows enrollment for courses conducted by the NFMTTC for the years 2015-16.

Figure 3 - NFMTTC 2015

2015 NFMTTC Offshore-based Training	Total Enrolled	Total Completed	BFC Crew Participation	% BFC Crew
Simulator	12	11	1	8.3
Bridgewatch	20	16	4	20.0
STCW	24	24	6	25.0
Watchkeeping Mate	8	4	2	25.0
Fishing Masters III	-	-	-	-
Factory Freezer Management	5	5	1	20.0
Total	69	60	14	20.3

Health and Safety of Employees

In 2015-16, Baffin Fisheries developed a new Health and Safety Policy which entrenched the Company's commitment that the health and safety of our employees was and always will be the Number 1 priority in everything we do. The policy resulted in the implementation of a new and updated Alcohol and Drug Policy in 2016 and a stricter security protocol for our entire operations. The objective of the company HS&E Program is to enshrine a culture of safety, to prevent workplace accidents, injuries and illness, and to promote health, safety and the protection of the environment in every task undertaken by employees on behalf of the company.

It is important that our employees, contractors, observers and visitors refrain from the use of illicit drugs and other mood altering substances, and the inappropriate use of alcohol and medications, as working at sea on fishing vessels is a safety sensitive environment.

The objective of the Policy is to protect the health and safety of our employees, and to provide a workplace free of the negative effects of alcohol and other drug use. Should employees need help in complying with the Policy at any time, they are encouraged to access assistance through the Company's Employee Assistance Program, their personal physician, or through appropriate community resources.

Employees can also come forward voluntarily for help with any alcohol or drug problem. In this situation, arrangements will be made for an assessment with a Substance Abuse Professional (SAP) and the employee will be supported through treatment and an aftercare program within the benefit coverage.

Baffin Fisheries recognizes that the increased emphasis on safety and security, and the implementation of a drug and alcohol consistent with internationally accepted best practices may result in stricter conditions for employees and reduced tolerance for dangerous activities. As a result, the Company also implemented a training and orientation program to increase awareness of program details and assistance available.

Research and Development

BFC has been fully committed to financially contributing to exploratory, and research and development in the Nunavut fishery. From 2003 to March 31 2012 BFC contributed \$1,030,000 to some more than 50 projects in the Nunavut. Prior to 2004 BFC organized and implemented many projects and surveys in Nunavut's adjacent waters.

BFC recognizes that research and science are essential components to the development, stewardship, and sustainability of the Nunavut Fishing Industry. It is BFC's firm belief that through the continued support of scientific and community based research the fishery can be managed sustainably to provide maximum benefit to local people.

Figure 11 - NOAHA research projects 2015-2016 (estimated)

Project	Amount \$
Three-year porcupine crab project	68,354.00
Multi-species survey	129,920.00
Char research – Tallman – 2 years	60,000.00
MSC shrimp certification – Annual fees – 2 years	20,000.00
MSC turbot certification	
NSRF survey – 2 years	150,000.00
Subtotal	428,274.00
Estimated GN proposals	428,274.00
Multi-species survey – separate assessment	82,505.00
Total	\$468,754.00

Other Investments

BFC has joint ventured with Cumberland Sound Fisheries Ltd. to purchase Nunavut Development Corporation's shares in Pangnirtung Fisheries Ltd. (PFL). By working together with CSFL on this acquisition BFC acquired a 25% share in PFL.

Office and Warehouse Development

In 2015-16, BFC completed upgrades to its operational and supply office and warehouse in Paradise, NL. This investment enables BFC to reduce the costs associated with warehouse and rental of similar space while increasing the value of BFC's assets. The custom designed warehouse space allows BFC to increase its efficiency of storage and supply of vessels. The building was constructed large enough to provide rental space for other organizations, providing additional revenue. It is through strategic infrastructure developments such as these that BFC is actively working to increase the benefits of its member organizations and the Nunavummiut.

4. Stewardship



Responsible Stewardship

Fisheries around the world have to be more conservation minded and sustainable, and the Nunavut fisheries are no exception. BFC works with industry stakeholders and regulatory agencies to continuously improve its operations. The goal of a sustainable fishery that will benefit generation of Nunavut residents into the future requires an active hand in stewardship at present.

Stewardship Activities

Certification of Shrimp Fisheries in Nunavut's Adjacent Waters

The market place is demanding more and more of fishery suppliers to put in place a certification program that allows them to track the origin of the product they are buying. Also, the market place is demanding that the fish they buy come from well-managed, environmentally, and sustainable areas. One of the main certification bodies for fisheries is the Marine Stewardship Council (MSC).

The MSC Certification of the Canadian offshore northern shrimp fishery was issued subject to a number of conditions with respect to Habitat and Ecosystem. Today there are three (3) separate MSC Certifications for shrimp of the coast of Newfoundland and Labrador:

- Canadian Association of Prawn Producers (CAPP) and Northern Coalition (NC)
- Association of Seafood Producers (ASP) of Newfoundland and Labrador
- Fogo Island Co-op

In general certifications are for a five-year period with annual reviews to ensure harvesters are living up to the conditions of their certification.

Working with CAPP/NC, NOAHA was able to establish Nunavut adjacent shrimp allocation under the MSC certification in 2012/13. BFC and NOAHA continue to work with CAPP/NC to explore the option to include turbot under this certification.

Recovery of Lost Nets

BFC keeps detailed records of where it sets its nets. Normally, a string has 50 nets, in length, 50 fathoms each. As per DFO regulation, data for each net set is recorded in logbooks.

Nets can be lost as a result of stormy weather, vessel traffic, and severe ice conditions.

BFC's fleet coordinates the location of net and trawling activities to minimize conflict. Additionally, BFC does not set nets in ice-infested areas. Late in the fall, ice conditions are monitored and vessels have to exit area 0A as follows: north of Latitude 71 by October 21, and south of 71 by November 10.

Process used by BFC for recovering lost nets:

If loss occurs when portion of the string has been hauled, then vessel will immediately steam to other end on the fleet, find the buoy, and retrieve the nets.

If loss occurs as a result of ice conditions or dragger problem:

- Recorded in log book and DFO is informed.
- Use creeper with 1,000 fathoms of rope.
- Tow between 2 – 3 knots.
- Normally go mid center of where nets are charted and pull the creeper in an east west direction (nets normally set in a north/south direction).
- Normally, would continue creeping for nets at end of each fleet being hauled, until nets are recovered.

Stewardship Plan

Compliance with NWMB Stewardship Guidelines

BFC continues to support the NWMB's Responsible Stewardship plan to:

- Improve scientific knowledge of the Greenland Halibut (turbot) and shrimp stock.
- Maintain a healthy Greenland Halibut (turbot) and shrimp stock through science, Inuit knowledge, the precautionary approach, and discussions with other resource users.
- Minimize harvest of small fish.
- Operate consistently with the Species at Risk legislation.
- Protect critical habitat, ecosystems and species.
- Collect and document Inuit knowledge of Greenland Halibut (turbot).