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BAFFIN FISHERIES



*New Vessel Concept*

## Planning for Growth Annual Report 2018-19

Submitted to the Nunavut Wildlife Management Board

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## 2.1 Executive Summary

### *Background*

Baffin Fisheries (*BF, BFC, or Baffin Fisheries Coalition*) is the leading commercial fishing enterprise in Nunavut. It is 100% Inuit owned and managed, with three 100% Inuit-owned fishing vessels (two factory freezer trawlers and one factory freezer gillnetter). The Company is owned by five Hunters and Trappers Associations (HTAs) in the Baffin region and has offices in Iqaluit and St. John's, Pangnirtung, a minority share in Pangnirtung Fisheries Ltd., and a new office building completed in Pond Inlet. Planning and preparation is finalized for a new office building in Clyde River. BFC harvests wild, sustainable, cold water shrimp and turbot from the cold ocean waters adjacent to Nunavut, and markets its premium, flash frozen turbot and shrimp, and cooked and frozen shrimp, around the world.

Baffin Fisheries achieved the goal of 100% fleet ownership and Inuit control in late 2015 and immediately began implementing a plan to maximize benefits to Nunavut. The plan's goals include generating economic activity in Nunavut communities; increasing the number of Inuit beneficiaries onboard vessels and in administrative and management positions; increasing fishing capacity; supporting economic development in Nunavut communities; vertically integrating the Company to include vessel management, sales & marketing, and training support.

In 2016 the Company focused on improving Inuit engagement, governance and management of the Company, and returning a greater percentage of profits to Nunavut. The Company doubled the number of Inuit directors from five to ten, created an executive team of three Inuit beneficiaries and began recruiting a team of Inuit recruitment personnel devoted to increasing the number of Inuit working on board our vessels. The Company also increased the number of employees to eliminate consultant profit-taking and bring into the company the knowledge required to run a successful international fisheries enterprise. Baffin Fisheries remains committed of its drive to help the HTOs achieve economic independence.

### *Current Year*

In 2018 the Board of Directors made significant improvements to Board governance and committee involvement and operations. The Board approved a plan to procure a new vessel to replace part of its aging fleet. Baffin Fisheries hired a new Business Development Manager in Iqaluit and completed major office improvements to the Baffin Fisheries head office, located in Iqaluit, and leased from the Amarok HTO. Through 2018 Baffin Fisheries finalized rental of all offices in a new office building in Pond Inlet, and continued work toward developing an inshore fishery.

In 2018 and 2019, Baffin Fisheries assisted the Nangmautaq HTO in securing funding for a community freezer through the GN Community Freezer assistance program and provided additional funding to ensure an office building and community workshop is completed during 2019-2020. Baffin Fisheries will oversee the procurement and project management of the successful community project until final completion in 2020. The Company also commenced work on development of a commercial char project in Kimmirut.

### **A. Nunavut Benefits Plan**

The Baffin Fisheries Nunavut Benefits Plan is a strategic initiative to achieve the following goals:

1. Improve the Baffin Fisheries work experience, and increase the number of Inuit beneficiaries employed, both onshore and offshore, by Baffin Fisheries and its subsidiary companies

2. Improve corporate performance
3. Increase economic activity in Baffin Fisheries HTO communities, and explore opportunities to increase economic activity throughout the Qikiqtaaluk Region
4. Ensure sustainability.

### 1. Work Experience and Employment

Improved work experience and employment at Baffin Fisheries involves three key initiatives: improving safety, increasing recruitment effort, and increasing compensation.

#### Safety

In 2018, new programs were developed for Health and Safety, Drugs and Alcohol Policies, and Return to Work. New orientation programs were also introduced for all seafaring employees. The Company is taking a strategic, long term approach to ensure its vessels are safe and secure for all employees. We are proud of the new approach to safety on our vessels and believe it will result in a safer workplace. Our goal is zero accidents or injuries in the workplace.

#### Recruitment

Baffin Fisheries has taken a long-term, strategic approach to increasing the number of Inuit beneficiaries on vessels, and in onshore positions. While past approaches produced results, and training programs are in place, more work is required to significantly increase the number of Nunavummiut on board vessels in all positions.

The first step was to create greater awareness of the opportunities. BFC hired new recruitment staff in the communities, reaching out to young Nunavummiut to inform them of opportunities for employment, a good lifestyle, and significant income. We increased dialogue with the Nunavut Fisheries and Marine Training Consortium and developed a new mentorship to allow Inuit Beneficiary employees to advance to the deck and wheelhouse, and into factory boss positions was introduced.

To hire Recruitment Officers and new personnel in other HTO communities in the Qikiqtaaluk Region, Baffin Fisheries required office space for employees. So, as part of this strategy, new offices are being built in BFC's HTO communities. For further details on Nunavut infrastructure development, see sections on Corporate Performance and Major Investments, below.

BFC's sees significant Nunavut employment growth opportunities through this approach.

### 2. Corporate Performance and Operations

The vessels landed 23 trips in 2019 compared to 28 the previous year. Extended winter refit work and required mid-season repairs contributed in the overall reduction.

Corporate performance impacts the corporate mandate of delivering benefits to Nunavummiut in three principle ways:

1. Increased profitability increases the Company's ability to make direct payments to Nunavut community HTOs
2. Increased investment in the communities and in other business opportunities allows the Company to create jobs and develop self-sufficient economic activity
3. Investment in assets, knowledge, and efficiency improves the sustainability of the Company, ensuring Baffin Fisheries will remain a strong corporate entity for generations to come

Baffin Fisheries aims to strike a balance between delivering cash payments, developing economic opportunities, and investing in the Company.

Every year the Company provides a minimum of \$1.2 million in direct payments to its five owner communities. These payments allow the communities to share directly in the benefits of the adjacent





Activity in Nunavut Communities	<p>Initiated commercial char smoking and freezer repair program in Kimmirut</p> <p>Supported HTO development of new community freezer and processing area in Clyde River, and started work on new office building and garage</p> <p>Supported test-fishing for commercial ice fishing industry in Pond Inlet and Clyde River</p> <p>Recruiting new Building Manager to identify tenants for new Pangnirtung Offices</p> <p>Commencing Baffin region-wide programs to support maintenance of community freezers, and assist HTAs with finances</p> <p>Office improvements at HTA building in Iqaluit</p>	<ul style="list-style-type: none"> <li>• Community buildings allow for rental income and recruitment of new personnel in communities</li> <li>• Potential in inshore fishing to create jobs and economic activity</li> <li>• Addressing dire need for infrastructure in Clyde River</li> <li>• HTA economic self-sufficiency remains focus</li> </ul>
Ensure Sustainability	<p>Renewed plans of intent to build modern, new fishing vessel</p> <p>Invested in fleet repair and maintenance to ensure vessel reliability until new vessel built</p> <p>Joined Board of Directors of Fisheries Council of Canada</p> <p>Invested in research and development, and lobbied government to invest in research projects</p> <p>Invested in upgraded and strengthened gillnets, installing AIS locator sensors on 100% of nets to ensure zero loss.</p> <p>Continued compliance with all NWMB stewardship guidelines, laws and guidelines; compliance with relevant research initiatives, ecosystem protection requirements, and responsible fishing requirements.</p> <p>Full participation in all NFA research initiatives and significant financial contribution to all projects.</p>	<ul style="list-style-type: none"> <li>• New vessel will increase capacity by 80%</li> <li>• Increased profitability and reliability due to reduced maintenance issues</li> <li>• Reducing fuel consumption, and time spent sailing to fishing grounds</li> <li>• Research programs leading to potential development of new species, and great protection of harvested resource</li> </ul>
Harvest	<p>Baffin Fisheries harvests the vast majority of its total allocation with its 100% Inuit-owned vessels and its own employees. In 2018, only 4.6% of total revenue was derived from temporary transfer of allocations.</p> <p>Baffin Fisheries harvested 8,162 tonnes of turbot from areas 0A and 0B, an amount equal to 102% of total allocation due to additional quota purchased from third parties, and; 3,551t of northern shrimp from Ungava Bay Area, SFA 5, and Davis Strait - SFA 2 areas, an amount equal to 64% of total shrimp allocation.</p>	<ul style="list-style-type: none"> <li>• Completion of maintenance issues allows for increased harvest going forward</li> <li>• Competitive 0B fishery account for 227t</li> <li>• New vessel will better ensure 100% harvest of allocation.</li> </ul>



- Normally, would continue creeping for nets at end of each fleet being hauled, until nets are recovered.

## 2. 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 using 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).

## 3. Compliance with relevant law and policy

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. BFC has made every effort to comply with:

- a) DFO Legislation/Policy: Complied with all the relevant legislative and policy requirements of DFO, including licence conditions, regulations, management plans, conservation harvesting plans, and encounter protocols.
- b) Transport Canada Legislation/Policy: Complied with all Transport Canada's relevant environmental stewardship requirements for fishing vessels.
- c) *Species at Risk Act* (SARA): Complied with applicable SARA measures for marine species at risk.

## 4. Compliance with relevant research and reporting initiatives

BFC complied with relevant research and reporting initiative by:

- a) Providing assistance and cooperation with respect to relevant research initiatives organized/sponsored by the NWMB or DFO. In 2013, BFC in consultation with other Nunavut stakeholders was a major contributor to two major surveys in Nunavut adjacent waters: the multi-species survey and the shrimp survey carried out under the direction of the Northern Shrimp Research Foundation. In addition to these two major surveys, BFC was successful in working with the Canadian Association of Prawn Producers (CAPP) to have Nunavut's shrimp in the Nunavut Settlement Area certified under the CAPP certification process.
- b) Compiled records and provided reports of fishing operations, as required by NWMB and/or DFO
- c) Used Inuit Qaujimagatuqangit, as requested by the NWMB or DFO, to assist in the advance of fisheries research.

## 5. Compliance with responsible habitat and ecosystem protection requirements

BFC complied with responsible habitat and ecosystem protection requirements by:

- a) Assisting in the identification of sensitive habitat areas as required by the NWMB or DFO, with emphasis on coral and sponges.
- b) Avoidance of fishing locations formally identified by the NWMB or DFO as sensitive habitat areas where fishing is prohibited.
- c) BFC makes every effort to adhere to DFO and NWMB restrictions on fishing in protected and/or sensitive areas, as set out in relevant licence conditions, regulations, management plans, conservation harvest plans, encounter protocols, and other formal policy or legal documents.
- d) Avoiding disturbance to marine mammals where possible. BFC had minimum encounters in 2013 -2017 with marine mammals.





### *Designated Seabird Areas*

BFC has been working with DFO on the establishment of bird sanctuaries, in the arctic. As part of this work BFC has been working to establish operational procedures when working in proximity to these areas. A proposed projection zone of 60 km; this will affect potential inshore fishery development; BFC will work to be proactive on these proposed bird sanctuaries.

BFC continues to participate in federal government discussions to establish Marine Protected Areas (MPAs) and in discussions and activities related to Arctic resources. Baffin Fisheries voluntarily participated in a program to collect and return to researchers any seabirds that become tangled in gillnets.







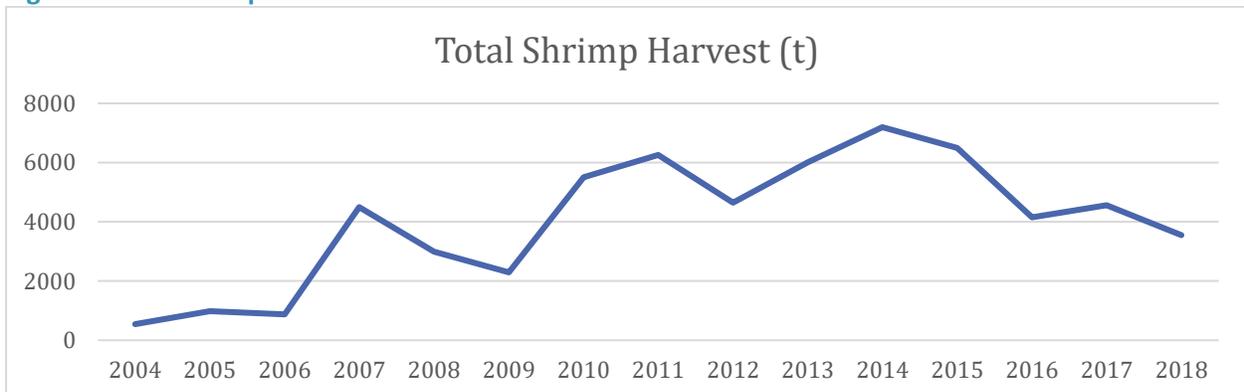




**Figure 4 - Total Turbot/Shrimp Allocation/Harvest 2018-2019**

Species Harvested	2018-2019			
	Original Allocation (metric tonnes)	Adjusted Allocation Includes transfers in/out (metric tonnes)	Harvested (metric tonnes)	% of allocation harvested
<b>Greenland Halibut</b>				
NAFO Division 0A	4,967	5,640	5,582	99%
NAFO Division 0B	1,241	2,353	2,580	110%
<b>Total Greenland Halibut</b>	<b>6,208</b>	<b>7,993</b>	<b>8,162</b>	<b>102%</b>
<b>Northern Shrimp</b>				
*SFA 1	1,488.0	1,488.0	1.0	-
SFA 2 DSE	914.3	914.3	119.3	13%
SFA 2 DSW	379.3	379.3	376.4	99%
NU-W borealis	728.0	728	354.2	49%
NU-W Montagui	2,148.3	1,852.3	1,266.9	68%
NU-E borealis bycatch	147.0	87.0	0.0	0%
NU-E Montagui	210.7	210.7	33.0	16%
*SFA 5	0.0	1,400.4	1,400.4	100%
<b>Total Northern Shrimp</b>	<b>4,527.6</b>	<b>5,572.0</b>	<b>3,551.2</b>	<b>64%</b>
<b>Total BFC Quota</b>	<b>10,735.6</b>	<b>13,779.2</b>	<b>11,713.2</b>	<b>85%</b>
<p><i>* Note – 214t of SFA 5 was caught in 2019. Due to economic unviability, SFA 1 shrimp not factored into overall calculation. Baffin Fisheries will continue to monitor catch rates in SFA 1 and will begin exploitation as soon as it is determined economically viable. Some quota is exchanged for southern shrimp quota to maintain a viable, economical, year-round fishing operation. Total shrimp harvest was negatively impacted by heavy ice conditions and unplanned breakdown of vessel Inuksuk 1 in August 2018.</i></p>				

**Figure 5 - BFC Shrimp Harvest 2004 – 2018**







breakdowns. Ice movement may also impact the fishing season. When harvest is not possible, Baffin Fisheries makes every effort to issue temporary transfers and sell unused quota at maximum possible price. In some seasons, however, low shrimp prices, and/or a short ice-free window in Ungava Bay make it impossible to sell 100% of all allocations, particularly industrial shrimp.

With the addition of a modern, higher-capacity vessel to the fleet, BFC will be in a better position to harvest its full allocation or negotiate quota swaps which allow it to extend the fishing season to year-round operations.

Baffin Fisheries' operation in the north is limited to eight months fishing due to ice conditions. It is imperative for Nunavut companies to temporarily transfer or sell some of their Northern quota in exchange for Southern quota. These temporary transfers allow vessels to operate year round, or sell product it would not be able to harvest for a fair market royalty payment. BFC's All non-ownership vessels in the quota transfer must provide Inuit employment on their vessels.

Additional details on temporary transfers are provided in Section 2.5 (A) Harvesting Activity, above.

BFC's policy for required temporary transfers is to first identify Nunavut enterprises that have capacity, as per Part 9 of the new NWMB Allocation Policy.

## **E. Harvesting Activity Outside Nunavut**

BFC works very closely with the Labrador Fishermen's Union Shrimp Company (LFUSCL) and has in the past supplied turbot at competitive rates in exchange for access to LFUSCL shrimp in area 5, which allows the Inuksuk I and Sivulliq to operate for 10 months a year. Baffin Fisheries continues to seek more southern quota to maximize cash flow and employment benefits for the people of Nunavut.









Management staff will be available to assist. The purpose of the meetings is to provide operational and governance updates on Baffin Fisheries activities, and to answer any questions shareholders may have.



Baffin Fisheries Board members and senior managers participated in a community-wide HTA meeting and Q&A session in Pangnirtung in January 2019.

As a prototype of the new strategy, Baffin Fisheries Pangnirtung Board members and senior managers (CEO and Manager of Business Development) attended a full day community meeting of the Pangnirtung HTA on Saturday, January 19, 2019, the first open meeting in more than three years.

Baffin Fisheries presented detailed updates on fisheries operations and governance challenges and took questions from community members for more than an hour. Baffin Fisheries managers also attended a regular meeting of the Pangnirtung HTA Board, to provide additional updates and confidential information. These meetings will serve as a template for Baffin Fisheries participation in future HTA community meetings.

Further community meetings are planned for Pond Inlet and Clyde River in late 2019, and Kimmirut and Iqaluit in early 2020. Participation in meetings is dependent upon HTAs holding open community meetings. BF will support the communities in planning and promoting these meetings.

#### Community Reports

As in the past, directors provide updates from recent HTA board meetings, and bring feedback from the community. The following updates were provided at the last board meeting of the February 22, 2019:

1. Kimmirut - pleased with BF revenue distribution to the HTO; congratulated BF on successful start to char smoking project and freezer repair.
2. Clyde River – funds used to provide benefits to hunters. Community very excited about commencement of construction of freezer building, and later office building. Also thankful for Baffin Fisheries support in procuring and delivering equipment for HTA members to build qamutiks and cabins.
3. Pond Inlet – pleased with financial support, requests continued support helping keep HTA finances in order, as planned. Very pleased to announce all offices in the new building are now rented.
4. Pangnirtung- HTO pleased with BF's attendance at the community HTA meeting held in January. Community expects continued transparency and attendance at more community meetings in future. Thankful for additional contribution in support of community hunt. Pleased with new board structure, awaiting news on hiring of new BF employee in Pangnirtung.
5. Iqaluit – funds used to purchase hunting equipment, food, support for hunters. HTO pleased with renovations to the HTA building made by Baffin Fisheries



Annual financial and harvesting reports are developed and are presented to board members at the annual general meetings. This report provides a summary of what has transpired over the past harvesting season, and historically since 2001. Additionally, membership updates are generated on a regular basis. These reports address issues such as quarterly financial reports, harvesting activity, business activities including strategic plans, acquisitions, major expenses, and HTO remuneration. All corporate decisions made by the board are discussed at meetings and voted on using majority rule. In addition to more formal communications with shareholders as described above, BFC and its subsidiaries maintain regular communication between the Board of Directors' executive team, management, and staff.

#### ***Profit Sharing and Royalty Arrangements***

From 2004 to 2014, Baffin Fisheries members agreed to reinvest a significant portion of their allocation royalties to fund growth and future vessel acquisition. In 2015-16, BFC's Board of Directors voted unanimously to increase HTA royalty payment to \$1.2 million, plus a \$50,000 donation. The \$1.2 million is divided equally among five HTOs and is paid in installments.





## 2.8 Financial and Investment Plan Updates

### A. Financial and Investment Goals

Under its current business plan, Baffin Fisheries has three primary investment goals:

1. Sound capital investments in the fishing fleet to ensure continued ability to harvest all allocations, safely employ Inuit beneficiaries and others, and deliver benefits to Nunavut.
2. Commitment to continued investment in Nunavut communities, in infrastructure, employment and training, and economic opportunities.
3. Fleet renewal.

#### *Fleet Renewal*

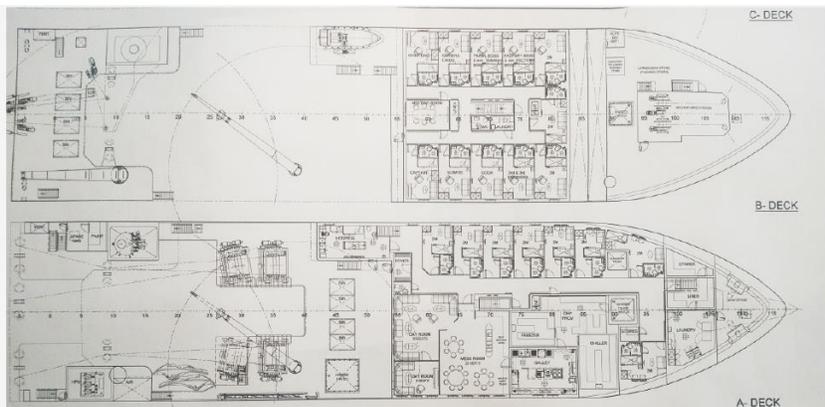
In 2018 the Board of Directors of Baffin Fisheries reviewed management’s analysis of long-term fleet requirements. Subsequent to the year end, the board approved in principle a fleet renewal plan that includes the design and construction of a new multi-species trawler. Contract signing and financial commitment to the plan will require the approval of the full Board of Directors, with the backing of Member HTAs.

Baffin Fisheries’ fleet includes two multi-species trawlers, aged 18 years and 32 years. Under Transport Canada regulations, maintenance inspection requirements increase with age. As a result, even if the vessels are in excellent shape, refit costs and downtime will continue to increase. In short, the aging vessel needs replacing.

Newer vessels provide increased safety and comfort for crew, increased performance and capacity, improved fuel economy, reduced greenhouse gas emissions, and reduced risk for shareholders.

Baffin Fisheries requires a larger vessel to effectively harvest increased shrimp allocations in Western Assessment Zone. The new vessel will be specifically designed to address this new opportunity, and to harvest turbot more efficiently through greater cargo capacity and increased daily production [Grab your reader’s attention with a great quote from the document or use this space to emphasize a key point. To place this text box anywhere on the page, just drag it.]

. The new vessel will also have the ability to be modified to meet opportunities to harvest other species in the future.



*Vessel concept drawing for 80m trawler*

## B. Progress Made toward Financial and Investment Goals

To meet this new business requirement, senior management has met with a number of major ship designers and is in the process of recruiting a team lead to analyse new vessel options and requirements and present them to the board. The new vessel is estimated to cost approximately \$60 million. Baffin Fisheries will not rush this critical process.

The company's continued strong maintenance plan ensures it will not be in a position where it requires a new vessel urgently. BF understands that this is the single largest investment in company history, which will set the path for 20 years.

Baffin Fisheries has reviewed three recent new-build projects in the North Atlantic fleet, and met with several financial organizations and begun analysis of financing options and costs. Financial analysis also includes a review of insurance, geopolitical risk, legal obligations, RFP process, and the impact of this decision on northern development projects.

## C. Profitability of the Enterprise

Baffin Fisheries earned profit in F2019. The Company is forecasting improved profitability next year, and reduced tax burden due to management initiatives.

## D. Investments in Fisheries Assets

See Section 2.7 Financial Information and Appendix 2, Vessel refit schedule, for ongoing capital investments. See Section 2.8 (A and B) for details of new vessel investment plans.

## E. Other Investments

See Section 2.9 Benefit Plan, for community investment and Section 2.7 (3) for further details of Kimmirut and Clyde river investments.

## F. Summary of Financial Results

Not released to public

## G. Financial Commitments

Financial Commitments are discussed above in Section 2.8 (A and B), under Financial and Investment Goals;; 2.9, Benefit Plan Updates, and; 2.4 Business Plan Updates.

# 2.9 Benefits Plan Updates

## A. Goals, Objectives and Milestones

Baffin Fisheries' primary focus for delivering benefits to communities is the continued development of business opportunities that create HTA self-sufficiency and employment, meet the needs of the community as stated by the HTA, and reflect Inuit values and traditions.

Inshore fisheries opportunities not only meet these criteria as set out under the Benefits Plan, they are also in line with Baffin Fisheries business practice and areas of expertise. As stated above in *Governance Plan Updates*, Baffin Fisheries has also identified other initiatives and opportunities that are required prior to the development of inshore fisheries, namely investments in infrastructure and training.

#### Background

In 2017-18 Baffin Fisheries committed to the development of improved HTO facilities in Pangnirtung, Pond Inlet and Iqaluit, and committed to consulting with HTO Boards in Kimmirut, Clyde River, and further with Iqaluit to determine the priorities for these communities.



In 2017, a new building was completed in Pangnirtung to house HTO office and provide rental income. In 2018 a similar building was completed in Pond Inlet, and BF managed the development of a new freezer and building. Baffin Fisheries carried out project management for the procurement, design, construction, and commissioning of the new community freezer, which was completed during the year, and also contributed to the project financially. BFC assisted the Amaruq HTO in Iqaluit in the payment of a major outstanding loan, and signed a long-term lease for rental of HTA office space, with leasehold improvements paid by the Company.

## B. Progress towards goals

### i. Clyde River

In 2018 Clyde River was identified as a priority community, in need of infrastructure. Baffin Fisheries Coalition, in partnership with the Namautalik Hunters and Trappers Organization, and with financial support from CanNor and the Government of Nunavut, is undertaking a three-year project to develop a new community freezer, including a country food preparation area and commercial turbot preparation area, turbot processing, and; develop a new HTA office building and commercial ATV/Snowmobile repair facility. Baffin Fisheries is investing \$1,255,000 in the project, with the Nunavut Government and CanNor investing \$1,123,000 over three years.

Summary of Clyde River Benefits Project:

- a community/commercial freezer and food preparation building,
- a separate office building with commercial garage, and;
- snowmobile/ATV repair business

These projects will support a range of economic activities and strengthen community economics.

#### Freezer

The community freezer, to be built with the support of the Government of Nunavut's Community Freezer Program, features a unique three-room design and free-air, energy efficient cooler unit. The building design includes a country food preparation area, and a separate commercial, turbot and char processing area, which can be operated to Canadian Food Inspection Agency (CFIA) standards. The contract for the Community/commercial freezer building was awarded to MacGregor Group in February

2019.

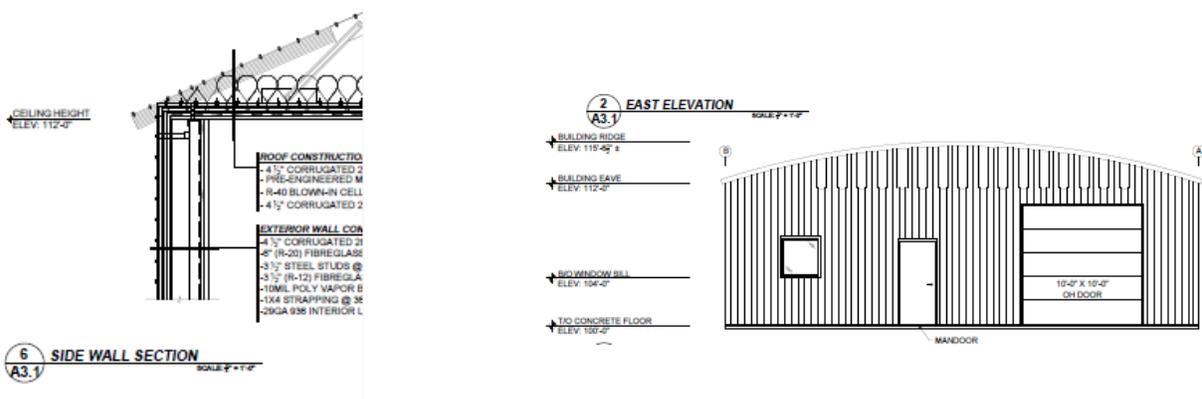


Three modules for the building were completed on time and on budget in July 2019, and the units were successfully shipped to Clyde River in September 2019.



### HTA Building

A separate, stand-alone service building will be constructed next to the freezer in F2020. The service building will include office space for the HTA, Baffin Fisheries, and rental opportunities, and will include a small service bay for the repair and maintenance of snowmobiles and ATVs. The HTA will identify a business partner to operate a small engine/vehicle repair shop in this space. The snowmobile repair business will support fishermen who go out on the ice to harvest turbot.

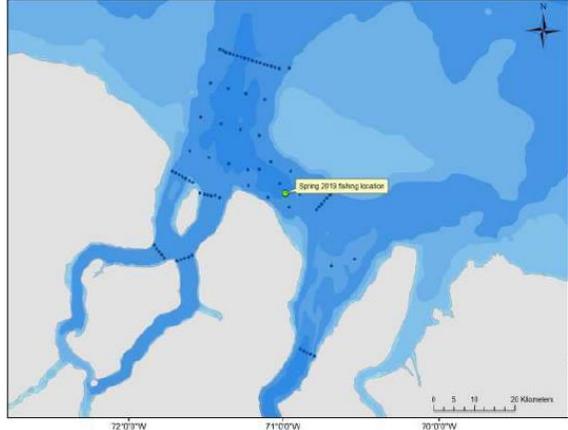


The project is intended to create rental income, the opportunity for three full-time positions, and will support the creation of dozens of part-time, seasonal inshore fishery opportunities. Baffin Fisheries will act as project manager for the construction phase, and business start-up phase. The HTA will manage the ongoing operation of the buildings, with support from Baffin Fisheries.

## Clyde River Ice Fishing Project May 2019

During the year, Baffin Fisheries planned and supported a test fishery project in Clyde River, which was carried out successfully subsequent to the year end in May 2019.

As part of the project, BF obtained 50t turbot quota for Nangmoutaq HTO, and provided fishing gear and management support. The research component of the trip was managed by U of Windsor's Nigel Hussey and the Ocean Tracking Network, and was supported by DFO, and GN



*Amanda Barkley, Ilkou Anguikjuak, Mosa Palituaq, Isa Piuntipuaq, Harvey Kuniliusie, Timmy Qayaq*

Inuit fishermen Ilkou Anguikjuak & Mosa Palituaq led the training. The group caught 116 turbot (300 kg) over 5 days. Turbot and bycatch were tagged for research. An inventory review indicated there is enough gear for four haulers.

Clyde River initiatives were developed based on input and preliminary design requests from the Namautalik Hunters and Trappers Organization and has their full support and active participation. Baffin Fisheries is satisfied with progress and is meeting its objectives related to this project.

For a full report on the Clyde River project, please see Appendix 9.

### *ii. Kimmirut*

Baffin Fisheries, in partnership with the Mayukalik Hunters and Trappers Organization, and with financial support from CanNor, is leveraging existing assets and equipment in Kimmirut to launch a char-smoking operation. The operation will serve as a test-marketing study for a future commercial smoked char export business in Kimmirut. Baffin Fisheries will invest \$40,000 and CanNor will invest \$110,000 over the two-year project. The project will:

1. Make operational two existing smokers in the HTA processing building in Kimmirut
2. Repair, upgrade, and extend the life of the community freezer building that holds the smokers and community freezer
3. Train local HTA members to operate smokers, and package seafood products safely
4. Provide an opportunity for local fishermen to expand char fishing operations and generate income selling surplus char and
5. Provide an opportunity for a local vessel operator to charter vessel and crew.

The funds approved for this project are solely to complete the Kimmirut Smoker and Community Freezer project. If proven viable, the partners will develop a commercial fish smoking enterprise for the community of Kimmirut.

The project involves assessing the current condition of smokers, freezer, and building, and completing a task/material list of requirements to install and repair the smokers, freezer, and building. As the repairs

and upgrades are being completed, residents will be trained in the processing, smoking, and packaging of the smoked char product.

The agreement's starting date became effective on Feb 5<sup>th</sup>, 2019 and will be completed over two fiscal years, with anticipated final completion by March 2020. This project has the full support of the Mayukalik Hunters and Trappers Organization. It will be of great benefit to the community of Kimmirut and Baffin Fisheries goal from this successful project is to support the development of small scale in shore commercial fishing/smoker operation in Kimmirut.

The first year of the two-year Kimmirut Community Freezer-Smoker project proved to be very successful. Baffin Fisheries engaged personnel and contractors from the Marine Institute who were familiar with the community and its people, and had decades of experience in seafood preparation, and fish smoking.

The scope of work for year one:

1. Assess the equipment and building and make operational two existing smokers located in the HTA processing building in Kimmirut
2. Evaluate repair and upgrade requirements for the community buildings that holds the smokers and community freezer and
3. Train local HTA members on preparing char for smoking
4. Conduct a test char smoking operation in the community.

BFC approached the Marine Institute for a proposal that would help us achieve and complete the scope of work on time. They responded with a proposal which included smoker repairs and training. We then contacted the HTA to identify residents that would be interested in training to process, prepare, and smoke char. They identified five people who took part in the training program. We purchased char from Pangnirtung Fisheries to make sure we had product. The pictures below show the trainees and the product produced.



Baffin Fisheries is satisfied with progress and is meeting its objectives related to this project. For a full report on the Kimmirut project, please see Appendix 10.

### *iii. Pond Inlet*

During the year Baffin Fisheries assisted the Mittimatalik HTO secure DFO licencing for up to 25 tonnes of turbot as part of an exploratory ice fishery in Eclipse Sound. Baffin Fisheries provided hooks, lines, motorized winches, and other equipment to assist in the fishery.

Baffin Fisheries planned an experimental fishing trip with Board member Leo Maktar, Ronnie Qiyuapik, Ronnie's son, and a representative from a Canadian seafood purchasing company. Execution of the trip carried over into the current fiscal year.



The aim of trip was to assess requirements for commercialization of a small turbot fishing business in Pond Inlet. The team reviewed: ice drilling, qamutiks, catch rate, bait, processing, and available equipment. Fishing results demonstrated need for further work. The team caught approx. 26 fish over two days. The low catch rates were attributed to experimenting in shallow water, high incidence of skate bycatch, and lack of detailed knowledge of sea floor.

After the trip, Baffin Fisheries obtained more detailed sea floor data and is in the process of incorporating the data into a mapping system, potentially accessible on a cell phone and incorporated with local knowledge using way points.

The goal of the project is to find the optimal location and time for harvest, to obtain sufficient quantities of turbot, to develop a CFIA-approved processing practices, and to get the finished product to market. Next steps are to develop a better Qamutik-based preparation area, to improve flash-freezing, to pay fishermen for processed turbot at the beach, and to distribute the packaged product. These challenges will be addressed in the coming year, though solutions are likely to take longer.

Subsequent to the year end Baffin Fisheries obtained a reefer container to provide storage for commercial quantities of turbot. The reefer container was shipped to Pond Inlet in August 2019. Baffin Fisheries continues to explore the opportunity for a small vessel to support inshore longlining from Pond Inlet and/or Clyde River. This initiative is dependent upon securing additional third-party funding.

**Pond Inlet building fully rented**

In 2018, BF staff in Pond Inlet successful rented all available office space in the new office building. Offices were rented to an MLA, Baffinland Mines, and a single office was donated to the *SmartIce* program, which Baffin Fisheries supports and assists.

#### **iv. Iqaluit**

BF provides the Amaruq HTA with more than \$100,000 annually for the rental of office space at the HTA building in Iqaluit. In 2018 Baffin Fisheries completed leasehold improvements to upgrade the kitchen and prepare the board room for use by the HTA and third parties needing a large, modern board room facility. Baffin Fisheries will continue to make leasehold improvements to the HTA building in 2019 and 2020.



Baffin Fisheries is commencing discussions with the HTA to determine what infrastructure programs it can support to benefit HTA members.

#### v. *Pangnirtung*

Baffin Fisheries is in the process of recruiting a new Building manager in Pangnirtung to complete all work necessary to rent out office space in the new building.



#### *Pangnirtung Fisheries Ltd.*

Baffin Fisheries continues to explore the potential acquisition of an inshore fishing vessel to support its minority ownership in Pangnirtung Fisheries Ltd., and to provide sales assistance to help PFL increase pricing for its hand-caught turbot. In 2018, Baffin Fisheries appointed a new director to serve as Baffin Fisheries' representative on the PFL Board, Mr. Billy Etooangat. Mr. Etooangat has attended all meetings of the PFL board since his appointment. Under the terms of the PFL bylaws, owners are permitted one director per 20 shares. As a result, BF has only one board member out of a total of 4 board positions. BF has elected to make a request to the PFL board to appoint a second director from Baffin Fisheries, and to increase the total number of directors to five.

Baffin Fisheries is not entirely satisfied with the progress it has made towards assisting PFL in the acquisition of an inshore vessel and improving financial performance. However, BF believes the appointment of a second director will help achieve its goals under the Benefits Plan.

#### vi. *Nunavut Freezer program*

In 2018 Mittimatalik HTA experienced a failure of the community freezer and loss of country food due to suspected vandalism. As a result, Baffin Fisheries launched an investigation to find a solution that would raise the alarm immediately if freezer temperatures rose and identify a method of quickly repairing the freezer. As Baffin Fisheries learned in its repair of the Kimmirut freezer, freezer technicians are not readily available in the territory. BF sent a technician to repair the Pond Inlet freezer, but this was a costly, slow process.

Baffin Fisheries then engaged a technical team from Natural Resources Canada, and the GN Department of Economic Development and Transportation to develop a better solution. During the course of the investigation, BF learned of a similar freezer failure in Grise Fjord and learned that new freezers in Sanikiluaq and Qikiqtarjuaq were not operational.

Baffin Fisheries is currently developing a program that will provide training for local residents to learn the basics of freezer maintenance, stock necessary tools and spares, and also provide a warning system

to alert HTAs should the freezer malfunction. Ideally a test pilot will prove the concept in Pond Inlet, and it can be rolled out in other communities across Nunavut.



*Several freezers in Nunavut require maintenance support. This community freezer, installed in summer 2018, has not been turned on.*

**vii. HTA Financial Statements Initiative**

During the year Baffin Fisheries hired a consultant to assist HTAs in bringing their financial statements up to date. Baffin Fisheries was able to ensure the Mittimatalik HTA has most recent financial statements completed, but additional work is required before the HTAs banking is fully in order and the project is complete. Repeated turnover of the HTA office manager delayed the completion of the project, and the roll out of similar assistance to other communities.

**viii. Provision of lumber and building materials**

Baffin Fisheries provides support to HTAs to assist in the procurement, logistics, and shipping of goods and materials to the communities. In 2018 Baffin Fisheries launched a program to help the HTAs get better pricing and quality for lumber and related materials for the construction of Qamutiks and cabins. Significant orders were arranged for Clyde River and Pangnirtung and shipped in the 2019 shipping season. The project was demanding from a human resource perspective, and Baffin Fisheries is now looking at developing a stand-alone business which will support this initiative to supply the HTAs with much-needed material. Although commercial enterprises exist to provide this service, HTAs have advised that prices are high, quality is declining, and benefits to Inuit beneficiaries are unknown. Baffin Fisheries will assess in 2019 and determine if the venture is viable and beneficial.

## C. Employment

### 1. Economic Opportunities Provided Through Employment

Due to the mixed nature of BFC’s fleet, the number of Inuit Beneficiaries employed may vary. Multi-species vessels such as the Inuksuk I are capable of fishing turbot and shrimp year round, unlike the Arluk II, 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 length of the fishing season (through vessel acquisition, quota swaps, and quota purchases), will increase the opportunities for stable, secure, permanent employment.

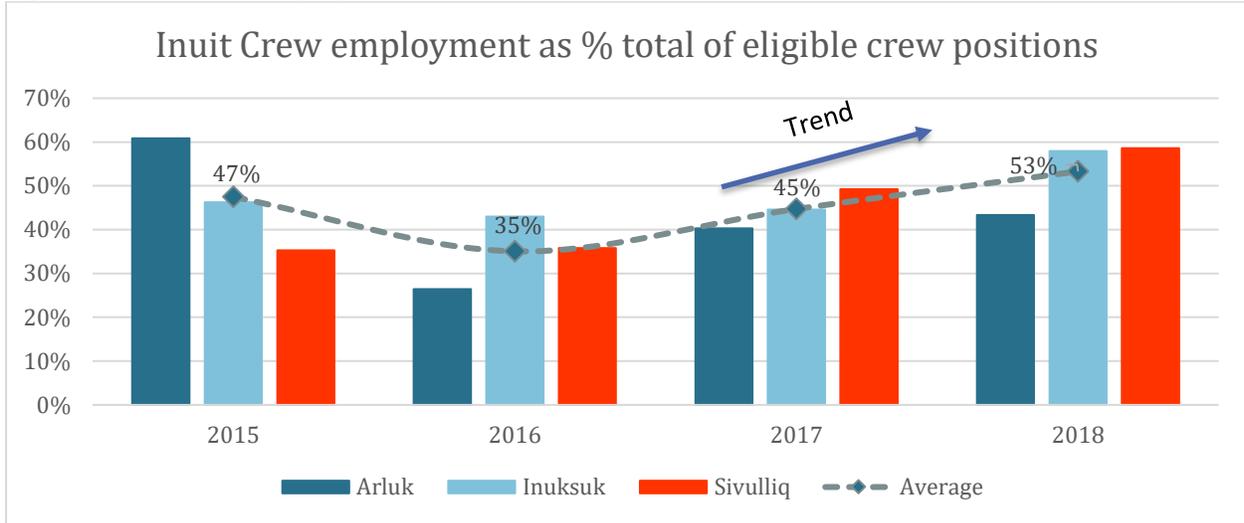
### 2. Retention Plan

BFC took specific action to achieve its employment objectives, first through consultation with Inuit fishers, and second, with offers to Inuit crew members to choose a permanent, full-time rotation schedule (two trips on, followed by two trips off, throughout the season), rather than making offers at each rotation. This resulted in much higher retention of Inuit employees. Those who did not want to fish all year were given the opportunity to serve on relief status and pick up rotation shifts as they become available.

To date, results have been successful, and through the 2018-2019 season Baffin Fisheries had employed 83 Inuit crewmembers, slightly ahead of 2017-2018 figures.

### 3. Inuit Crew Employment

Figure 7 - Inuit Crew Employment



\*Eligible crew positions include positions for which Inuit Beneficiaries are currently trained and certified. Baffin Fisheries continues to work with the NFMTTC and recruits to ensure that training is available, and that Inuit Beneficiaries obtain the necessary certification to be eligible for officer positions.

### 4. Employment Highlights

- Inuit employment for all vessels has increased in 2018
- The number of new recruits' onboard vessels also increased in 2018 over 2017 figures.
- Fishing Trip 6, for the Inuksuk had 73% Inuit crew (11 out of 15 eligible crew positions)
- BFC crewing staff is working to make 75% Inuit crew the new standard for 2019, up from the traditional 50% which was considered a success in the past.
- Retention rate in 2018 was consistent with previous year.

For additional details, please see NFMTTC training tables below.

Figure 8 - Fisheries Related Training 2018-2019

	NFMTTC Course	Total Participants	BFC Crew
New Recruits	Kisarvik	16	1
	Bridgeward Rating Part 1	22	4
	STCW	36	9
	Med A1	5	0
	Subtotal new recruits	79	14
Experienced	Bridgeward Rating Part 2	22	11
	Deckhand	12	7
	Total	113	32

Working closely with the NFMTTC, BFC supported the training a significant number of new recruits in 2018. This creates an opportunity to bring more Nunavummiut into the fishing industry, and future opportunities to train employees for more senior roles. BFC stays in close contact with the NFMTTC to reach out to recent graduates to ensure they are aware of the opportunities with Baffin Fisheries, and are encouraged to apply.



## 6. Nunavut and Non-Nunavut Salaries

In 2018, executive board members, and ultimately the Board of Directors, reduced the number of jobs and salaries in the south. A new target was set to ensure that Nunavut salaries for management, administration and governance were at least 50% of total salaries for management, administration and governance, including all consulting. This target was achieved in 2018 and has been maintained ever since.





Baffin Fisheries completed two major mentorship programs in 2018, with a view to moving Inuit Beneficiaries to the positions of Factory Boss and Trawl Boss. Despite significant investment, both employees left the industry after their mentorship training. Baffin Fisheries is working closely with the NFMTC to re-evaluate the mentorship program and identify additional candidates. Although the program suffered a setback, Baffin Fisheries will continue its strong efforts to promote Inuit beneficiaries to higher positions on vessels and in the Company.

An earlier mentorship candidate, Johnny Itulu has transitioned from the smaller gillnetter, where he was first mate, to the trawler Sivulliq, where he plans to learn all aspects of the vessel and move to a senior position on the bridge.

#### D. Cash Returns

Baffin Fisheries paid royalties to HTAs of \$240,000 per HTA, for a total of \$1.2 million in F2018. Baffin Fisheries also allows HTAs to direct an additional \$10,000 each towards charitable causes and a further \$10,000 each towards community projects, for an additional \$100,000. The additional funds are used for sponsorships, bereavement travel and hotels, emergency supplies, hunting equipment, community hunts, and other purposes.

The total, direct cash contribution of \$1.3 million. It is important to note that Baffin Fisheries is a not-for-profit enterprise, and that profits are generated, and taxes paid, in the operating company Niqitaq Fisheries Ltd.

As a not-for-profit, Baffin Fisheries is not mandated to maximize cash profits from operations. Profitability would be significantly increased if Baffin Fisheries did not invest in infrastructure programs and other benefit-related programs listed above in Section 2.9 B. Additionally Baffin Fisheries is reinvesting profits in its vessel fleet to improve safety, employee comfort, and ultimately profitability.

#### E. Non-cash Benefits

For a detailed review of non-cash benefits and contributions, please see Section 2.9 B, above.

#### F. Leveraging Activities

Details of leveraging activity are provided in Section 2.9 B, above. Below is a chart summarizing leverage activity for 2018-2019:

Project	BFC Support	Government Support – all agencies	In Kind – all agencies	Ratio (\$1 BFC leverages \$X External)
Clyde River*	25,000	461,000	50,000	20.44
Kimmirut	10,000	67,000	30,000	9.70
NFA	256,505	784,680	100,000	3.45
<b>TOTAL</b>	<b>291,505</b>	<b>1,312,680</b>	<b>180,000</b>	<b>5.12</b>

\*Baffin Fisheries' major commitment to this project occurs in Years 2 and 3, which will reduce the leverage ratio in future years.

#### G. Upcoming Benefits Plans

Baffin Fisheries plans to maintain its royalty payment, and economic and employment benefits plans at 2018 levels through 2019. The Company is conserving cash in support of its vessel renewal program, and

investing heavily in community infrastructure development over the next 2-3 years. The Board prioritized fleet renewal over profit-taking at this time.

Baffin Fisheries will continue to aggressively pursue a mentoring program to promote Inuit beneficiaries to higher positions on vessels. The Company is also developing a scholarship program to recruit more qualified Inuit Beneficiary managers into the company. Details will be finalized in the coming year. Details of planned enhancement to existing benefits plans are included in the details of Section 2.9 B, above.

## Other Benefits

### 1. Research and Development Investment

In 2018 BFC continued to support research in seabed impacts, alternate species research such as porcupine crab tracking and processing, Inshore test fishery, SmartIce, and essential base line research throughout Nunavut waters. BFC's research investment through NFA was \$256,505 in 2018. BFC recognizes that research and science are essential components to the development, stewardship, and sustainability of the Nunavut Fishing Industry.

**Figure 114 - NOAHA research projects 2018**

Project	Amount \$
Three-year porcupine crab project	192,832
Seabed Impacts	114,371
OTN Offshore/Inshore	1,054,498
SmartIce & Inshore test fishery	48,647
Project Management	98,721
<b>Total</b>	<b>\$1,509,069</b>