



ᑭᑭᑭᑭᑭᑭᑭᑭ ᑭᑭᑭᑭᑭᑭᑭᑭ
BAFFIN FISHERIES



Maximizing Benefits through Profitability and Sustainability Five Year Quota Allocation Application 2020

Submitted to the Nunavut Wildlife Management Board

Prepared By

Baffin Fisheries

Building 208 Iqaluit, NU

P.O. Box 6008

X0A 0H0

August 14, 2020

Table of Contents

- 5.1 Executive Summary..... 3
- Mandate and Mission 3**
- History, Performance and Future Plans..... 3**
- Benefits and Investment 4**
- Infrastructure..... 4**
- Economic Development Projects 5**
- Employment Skills and Training..... 5**
- Fleet and Harvest..... 6**
 - a. Fixed-gear Vessel..... 6
 - b. Mobile-gear Vessels 6
 - c. Non-owned Vessels 7
 - d. Stewardship..... 7
- Harvesting Activity 8**

5.1 Executive Summary

Baffin Fisheries, together with its wholly owned operating subsidiary Niqitaq Fisheries Ltd., is the leading commercial fishing enterprise in Northern Canada. A proud Nunavut Company, Baffin Fisheries is owned by five Hunters and Trappers Associations (Mittimatalik, Pangnirtung, Amaruq, Mayukalik, and Nangmautaq), and is 100% Inuit owned and controlled. The company’s fleet consists of three wholly-owned factory freezer fishing vessels: two ~60m stern trawlers, and one fixed gear vessel, which harvested a combined 12,871 tonnes of turbot and shrimp in 2019. Baffin Fisheries markets its products around the world, providing wild, sustainable, cold water shrimp and turbot from pristine Arctic waters, for the benefit of Nunavut.

Baffin Fisheries has offices in Iqaluit, St. John’s NL, Pangnirtung, Pond Inlet, and is constructing a new office building in Clyde River in 2020. BF holds a 32% minority share in Pangnirtung Fisheries Ltd.




Mandate and Mission

Baffin Fisheries maximizes the delivery of benefits to the stewards of ocean resources adjacent to Nunavut: Inuit beneficiaries under the NLCA. Our mandate is to re-invest the profits from a sustainable, Inuit-run fishery, to develop viable, economic opportunities in Nunavut communities. We deliver employment opportunities, both onshore and offshore; royalty payments to HTAs; good governance from Inuit leaders; and a growing, profitable enterprise.

History, Performance and Future Plans

Baffin Fisheries was established in 2001, in alignment with the Nunavut Land Claims Act, to address a need for an Inuit-owned fishing fleet, to develop local harvesting capacity, and to deliver benefits to the Inuit owners of adjacent fisheries resources. Baffin Fisheries has lived up to this ambitious mandate and is well positioned to continue improving on all elements of the mission.

The Company is enhancing its fleet, building the largest, most-modern fishing vessel in Canada: an ice-class 80-82 metre stern trawler which will provide reduced emissions, improved environmental protection measures and efficiencies, improved working conditions for crew, and greater profitability for shareholders. The Board of Directors anticipate contract signing and project sanction in the current fiscal year, with delivery in early 2023.

1. Maximize Operational Efficiency 	2. Improve Sustainability 	3. Increase Nunavut Benefits 
New technology	Expanded research	Increase Inuit Employment
Expanded Processing and Sales	New species/products	Develop Inshore fisheries & Infrastructure
Improved Profitability	Improved Environmental protection	Increase payments to HTAs

Benefits and Investment

Direct Benefits to shareholders are comprised of (1) cash payments, (2) infrastructure, (3) economic development projects, (4) employment and training. Over the next five years, Baffin Fisheries’ assets will surpass \$100M, while total debt will remain below \$50M.

Every year the Company provides more than \$1 million (approximately \$1.5 million in F2020) in direct cash payments to its five owner communities. These royalties are used by the HTOs to support the activities of hunters and fishers, ensure availability of country food, and support employment in the communities. Baffin Fisheries employs more than 50 Inuit workers onboard its vessels, and is the largest contributor to the Nunavut Fishing and Marine Training Consortium (NFMTC). Baffin Fisheries provides assistance to the HTAs to improve internal financial management, and to procure building material, and hunting and trapping equipment.

Figure 1 - Cash Payments to HTAs F2020

HTO	Regular	Additional *
Namautaq	290,000	10,000
Amaruq	290,000	10,000
Mittimatalik	290,000	
Pangnirtung	290,000	10,000
Mayukalik	290,000	
TOTAL	\$1,450,000	\$1,480,000

*Some additional payments deferred until F2021

Future Financial Commitments

Over the next five years Baffin Fisheries will make a significant down payment and secure financing for a new vessel, estimated at \$65 M, and will double direct payments and benefits to HTAs to approximately \$3 M annually. The new vessel will improve profitability, reduce uncertainty, and secure economic viability for 20+ years. As at July 31, 2020, Baffin Fisheries had isolated \$7 M for vessel down payment, and anticipates reaching \$13 M in the 2021 calendar year.

Allocation

Baffin Fisheries respects the allocations held by other Nunavut enterprises, and will achieve the commitments listed above with virtually the same allocation it currently receives from the NWMB and DFO. Allocation request details are provided in Annex 1 and in the application document.

Infrastructure

Baffin Fisheries’ Community Benefits Strategies have prioritized infrastructure first, with increased employment and economic development to follow. HTA members have advised Baffin Fisheries’ that they desperately need office space, freezer capacity, and country food preparation facilities. New office space allows Baffin Fisheries to hire employees in the communities; allows HTAs to operate as a viable community-leading organization and allows rental income to support HTA self-sufficiency. The state of HTA offices in some communities was deplorable. Baffin Fisheries is addressing this issue in a systematic, community-by-community fashion.

Baffin Fisheries built a 3,000 square foot office building in Pangnirtung, a new office building in Pond Inlet, spearheaded construction of new community freezers in Pond Inlet and Clyde River, and began development of a new commercial inshore turbot fishing industry to create employment and revenue. Baffin Fisheries is providing ice fishing equipment, qamotik supplies, processing and packaging materials, training, and support.

This year, Baffin Fisheries is building a new \$1.2 M building in Clyde River. Baffin Fisheries is working with the Kimmirut HTO upgrade the community freezer and char smokers to support establishment of a commercial inshore char fishery. In 2019, while continuing work on the above initiatives, Baffin Fisheries consulted with Amaruq HTA, and learned that community members in Iqaluit favored a country food processing facility. The Company is providing administrative and financial support to help Amaruq see this project through to construction and operation.

Economic Development Projects

As basic infrastructure crises are addressed, Baffin Fisheries is focusing on developing new businesses. Plans are underway in Clyde River, Pond Inlet, and Kimmirut to develop commercial inshore fishing opportunities. The plan for Clyde River includes an office building with new ATV/Snowmobile commercial repair garage, in support of inshore fisheries opportunities.

Baffin Fisheries succeeded in launching small-scale commercial sale of turbot from Pond Inlet and Clyde River in Winter 2019/2020. Due to COVID-19, Baffin Fisheries purchased the product from fishermen, and donated it to local community members through the HTA, instead of exporting.

The major projects in 2020 are: support for the Amaruq country food processing facility in Iqaluit, new building in Clyde River, refurbished building in Kimmirut, inshore fishing operations in three communities, and a summer inshore fishery in Pangnirtung, in cooperation with PFL and CSFL.

In conjunction with business development opportunities, Baffin Fisheries is partnering with other organizations such as NFMTC, Marine Institute, and Nunavut Arctic College, and funding agencies, to provide training and skills development in support of business development.

Baffin Fisheries is taking advantage of synergies that will lead to benefits for all Nunavut communities. In this regard, BF has teamed up with NRCan to support community freezers across Nunavut with remote monitoring, repair, maintenance and training. Unfortunately the scheduled freezer maintenance and monitoring plan for Nunavut, which was scheduled to begin with a trip to Pond Inlet in March 2020, was put on hold due to Covid-19 travel restrictions. Baffin Fisheries is also investing in development of a model to help HTAs improve their financial reporting and banking.

Employment Skills and Training

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 permanent, full time Nunavummiut on board vessels, and move up to higher positions.

Baffin Fisheries completed on-board mentoring programs for Trawl Boss and Factory Boss positions in 2019, and starting in 2020/21, the Company will share its experience with NFMTCC to assist in an industry-wide program that can be made available to all Nunavut fisheries organizations.

BFC has hired recruitment staff in three communities, reaching out to young Nunavummiut to inform them of opportunities for employment, a good lifestyle, and significant income. In 2020, Baffin Fisheries launched a new recruitment and engagement plan to encourage more beneficiaries to apply for work on our vessels. The plan is temporarily paused while NFMTCC rebuilds from COVID-19.

Senior Management and Administration

As part of its plan develop future leaders, Baffin Fisheries hired a new Business Development Manager in Iqaluit, and provided training through the Fisheries Council of Canada *Future Leaders Canada Program*. This intensive program is designed to develop the emerging leaders in the Canadian seafood industry through networking, programming and unique experiences along the supply chain. Unfortunately, the new manager was so successful in leadership development that he was able to obtain a senior executive position with another Inuit organization, and left Baffin Fisheries. We are committed to continuing the search for future leaders from Inuit communities in Nunavut and providing the training necessary for them to become future leaders within Baffin Fisheries. Our goal is to have Baffin Fisheries employees in all owner communities by 2022.

Fleet and Harvest

BFC has successfully transitioned its fleet away from southern partnerships and has developed a 100% Inuit owned fleet that not only meets the needs of the current fishing industry but has capacity to expand in response to market demands. The continued optimization of the fleet ensures that BFC can increase season lengths for vessels, grow employment opportunities, and maximize the benefits for Nunavummiut.

The next stage in the evolution of the Company's fleet strategy is the delivery of the new, efficient vessel which will improve overall fishing efficiency, increase capacity, reduce down time associated with maintenance and overhaul, improve environmental stewardship and increase profitability.

a. Fixed-gear Vessel

BFC currently operates one fixed-gear vessel, the Arluk II – IMO # 9071129. The Arluk II is a 30m vessel with factory freezer capacity of approximately 15 tonnes per day. It can accommodate up to 17 crewmembers. BFC's fixed gear vessel is used in the turbot fishery and accounts for approximately 20% of BFC's annual turbot harvest. Baffin Fisheries minimizes the number of nets in the water to avoid spoiling or damaging fish, and has tracking devices installed on all nets to ensure no nets are ever lost. As per DFO regulation, data for each net set is recorded in logbooks.

b. 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 IMO # 8604814 is a 62 m factory-freezer trawler built in 1987. The FV Sivulliq IMO # 9219094 is 64 m factory-freezer vessel, built in 2001. Both vessels fish both turbot and shrimp and have replaced the need for southern vessels to harvest shrimp for BFC. Trawlers use both a single and double bottom trawl that is towed behind the vessel at depths up to 700 fathoms. Each trawler has a capacity of approximately 650 mt of turbot or 440 mt of shrimp and accommodations for 28-30 crewmembers. Our trawlers are partnered with a project at the Marine Institute, Center for Sustainable Aquatic Resources, to lessen the severity of ocean bottom contact with rock hopper gear, trawl door design, and other initiatives to lessen ocean floor damage.

c. Non-owned Vessels

Baffin Fisheries does not require the chartering of vessels to harvest its own allocation. However, from time to time, BFC may still enter into chartering arrangements if the arrangement includes reciprocal quota allocations that assist BFC in maximizing the use of its vessels throughout the year and provide an opportunity for Inuit to work aboard vessels.

In 2020, Baffin Fisheries launched a pilot project, in partnership with Pangnirtung Fisheries Ltd., to land 200,000-300,000 pounds of turbot in Pangnirtung to increase summer employment in Pangnirtung, increase utilization of the fish plant asset, and help PFL/CSFL meet its long-term goals. The first landing occurred Saturday August 8, when a 65' vessel leased by Baffin Fisheries landed at Pangnirtung with 97,974 pounds of turbot for processing in the plant. This historic landing marks the beginning of a new summer commercial fishing operation which will expand annually.

A post-season review of the summer fishery is expected to help guide Baffin Fisheries and CSFL/PFL Boards of Directors in their decisions related to the acquisition of a fishing vessel to support a permanent summer fishing plan.

d. Stewardship

Baffin Fisheries complies with all DFO, Transport Canada (through DNV), Canada Food and Inspection Agency (CFIA), Industry Canada, and Nunavut GN and NL Occupational Health and Safety regulatory requirements related to environmental stewardship and fishing operations in general. BFC follows DFO license conditions and Conservation Harvesting Plans for all environmental impact safeguards and closure zones. We comply with all NWMB stewardship guidelines, research initiatives, ecosystem protection requirements, and responsible fishing guidelines.

BFC participates in all relevant DFO meetings, and Eastern Arctic Groundfish Stakeholder Advisory Committee (EAGSAC) and Northern Shrimp Advisory Committee (NSAC) meetings. Baffin Fisheries is a member of the Fisheries Council of Canada (FCC) and sits on its Board of Directors. Baffin Fisheries' Chairman is the voting member of Nunavut Fisheries Association, and participates in all meetings.

Our seasonal fishing plan is developed around sensitive marine cycles and we use trawl monitoring technology to minimize environmental impact. We support the certification of our shrimp and Turbot fisheries by the Marine Stewardship Council (MSC), and are participating in Greenland Shark tracking pilot project with OTN, voluntarily tagging and assessing sharks captured before live release.

Harvesting Activity

Baffin Fisheries will continue to harvest 100% of turbot allocations, and 100% of economically viable shrimp in each of the next five years. Harvest of marginal value, and currently uneconomically viable shrimp (areas SFA1 and DSE) will increase after acquisition of a new vessel.

In 2019, Baffin Fisheries harvested 9,671 tonnes of turbot from areas OA and OB. BFC received DFO allocations totaling 7,141 tonnes in these areas. The successful harvest of 2,530 tonnes beyond annual allocations was achieved by purchasing quota from other allocation holders and participating in the OB competitive fishery. BFC owns 32% of PFL, and through a purchasing agreement with CSFL/PFL, purchased a total of 2,276 tonnes of turbot in OA and OB. BFC purchased approximately 400 tonnes from Artic Fishery Alliance. BFC made additional minor swaps, on a one-for-one basis, of OA turbot for OB turbot, to achieve mutually beneficial logistics improvements with other enterprises.

For 2019/2020, BFC transferred 616 tonnes to Qikiqtaaluk Corporation as part of an agreement among all Nunavut Fishing Enterprises to assist QC with a major increase. The unprecedented agreement demonstrated many of the core principles of Inuit Qaujimajatuqangit, namely respect, fostering good spirit, consensus, innovation, and working together for a common purpose.

In 2019 BFC harvested a total of 6,285t of northern shrimp from Ungava Bay, Area SFA 5, and Davis Strait. Total harvest in Ungava Bay and Davis Strait was higher and more economically viable than anticipated, due to innovative sales and logistics efforts. While the Company harvested the majority of its shrimp allocation, Areas SFA1 and DSE are not currently economical on a large scale. Baffin Fisheries continues to test these areas each year, and will significantly increase its capacity to develop these marginal shrimp regions with a new vessel from 2023 onwards. Similarly, a brief 3-5 month ice-free season in Ungava Bay (which overlaps the turbot season) limits all enterprises' ability to harvest Montagu Shrimp. To mitigate, BFC licensed 1,712 tonnes of Ungava shrimp to other operators for a royalty fee, guaranteed Inuit employment, and future southern shrimp quota considerations. Investment in the new vessel is the key component in Baffin Fisheries' strategic plan to harvest this shrimp. In addition, Baffin Fisheries is working with Qikiqtaaluk Corporation on a joint marketing initiative to develop new markets and products for Montagu Shrimp, which is currently undervalued in the market, and provides low rates of return to harvesters.