

Executive Summary - Public

The following pages presents Qikiqtaaluk Corporation's public Executive Summary for its Annual Report for its commercial fisheries activities for 2021, in response to the *Nunavut Wildlife Management Board* (NWMB) call for Annual Reporting.

Qikiqtaaluk Corporation (QC), through its Fisheries Division, is a major player in the Canadian shellfish and groundfish industries, holding 1.5 of the 17 available offshore shrimp licenses, as well as a share of the allocations of turbot and shrimp allocated to Nunavut. The company is the 100% owner of Qikiqtaaluk Fisheries Corporation (QFC), which owns a large factory freezer trawler, the Saputi, and harvests one of QC's shrimp licenses, along with its own share of the Nunavut allocations, as well as turbot and shrimp for other Nunavut and southern players. QC is also an equal partner with Makivik Corporation of Nunavik in Unaaq Fisheries, which holds one of the other offshore shrimp licenses.

The year 2021 remained challenging for QC and for the fishing industry in general, as the industry continued to face the consequences of the COVID-19 pandemic in terms of restrictions and impacts on markets and supply chains. Beyond this, QC also faced the unique challenge of losing access to a significant portion of the turbot allocations it had access to in prior years, due to the unwillingness of other industry players to extend a negotiated sharing arrangement for another year while multi-year sharing decisions were being made by the DFO Minister.

As further detailed below, despite the ongoing negative impacts of COVID-19 and the loss of available allocations, QC's fishery operations remained profitable for 2021 and the company continued to build on its commitment to the communities and people of the Qikiqtani region.

The following pages summarize QC's results for 2021 in each of the following areas: stewardship, business plans, operations, governance, financial performance, financial and investment plans, and benefits to Nunavut.

Stewardship

Qikiqtaaluk Corporation is 100% owned by the Qikiqtani Inuit Association (QIA), an organization which is very involved in advocating for the protection and stewardship of Inuit lands and adjacent waters in the Qikiqtani region. As such, QC takes its lead from QIA in striving to achieve high levels of stewardship in all its fishery activities.

Stewardship is highly valued at QC's Fisheries Division and the company continues to comply with all relevant regulations from agencies, including DFO, Transport Canada, and NWMB's Mandatory Requirements for Responsible Stewardship.

In 2021/22, QC both corporately and through its participation as a member of the Nunavut Fisheries Association (NFA), the Northern Coalition (NC), and the Northern Shrimp Research Foundation (NSRF), continued to focus on responsible stewardship for its operations and the northern industry in general. From a corporate perspective in 2021/22, activities in support of QC's stewardship goals and objectives, in addition to ensuring compliance with all regulatory requirements, included:

- In planning and design for QC's new vessel, the Saputi II, QC is focused on fuel efficiency, the minimization of Greenhouse Gases (GHG) and other emissions, the minimization of waste and plastics usage/disposal, and the optimization of crew safety and comfort. Vessel design was completed in November 2021 and model testing has been completed;

- QC's current vessel, the Saputi, participated in the Greenland shark post-release mortality project led by Nigel Hussey and Brynn Devine from the University of Windsor, inclusive of training crew on electronic tagging methodologies and shark handling practices;
- QC agreed to utilize the Saputi and participate in the planning for a proposed Greenland shark exclusion device study, planned for implementation in 2022; and
- QC, through the Qikiqtaaluk Business Development Corporation (QBDC), is undertaking federally supported research on food security and sovereignty for member communities and is supporting QIA in the implementation of its IIBA capital projects in high-north communities.

In addition, QC's Fisheries Division continues to support and provide input to collaborative activities undertaken by NFA, NC, and NSRF to improve resource stewardship. These include recent industry-wide collaborative research seeking to find solutions to the high incidence of juvenile redfish bycatch in the shrimp fishery (Nordmore grid spacing study in 2021, planned gear modifications for escape panels in 2022); the NFA led footgear modification research at the Marine Institute, aimed at reducing bottom impacts; and ongoing efforts to maintain MSC certification in Nunavut's turbot and shrimp fisheries, addressing required Client Action Plan (CAP) requirements.

In 2021, QC continued its compliance and leadership for all its stewardship objectives and plans to continue and build on this in the coming years.

Business Plans

QC's Fisheries Division has developed Strategic Business and Action Plans which guide its activities. For 2021/22, QC has continued its commitment to each of the main areas of focus for its fisheries business, which include:

- Optimize productivity, performance, profitability and return to QC from fishing operations;
- Increase Inuit employment;
- Invest in the betterment of the Nunavut fishing industry; and
- Take a strong leadership position in the fishing industry.

Progress on these goals and objectives for 2021 was as follows:

- Optimize productivity, performance, profitability and return to QC:
 - Access to NU allocations: For 2021, existing NU allocations provided to industry members were rolled over. Unfortunately, the other participants in the Nunavut fishery were unwilling to extend the previously negotiated sharing arrangement, which resulted in a loss of over 1,100 t of available turbot for QC. Attempts to secure excess allocations beyond the ability of other Nunavut participants to fish themselves were largely unsuccessful, with most other available quota provided to non-Nunavut interests;
 - Vessel maintenance: Due to the impact of the pandemic, especially on the market for montagui shrimp, QC decided to undertake the scheduled 2021 Saputi refit early. As a result, the Saputi was available for most of 2021/22, however, the significant reduction in available turbot forced more emphasis on shrimp harvesting and reduced the potential harvest and revenues achieved in 2021/22;
 - New vessel decision: In 2021, the QC Board provided approval to proceed with the design and financing of a new 79 by 17-meter multi species factory freezer vessel, the Saputi II. Work was initiated and the new vessel design was completed in November;
 - Inshore research vessel: QC's new inshore research vessel, the Ludy Pudluk, became operational in 2021 and completed a highly successful first research season in Kinngait and Sanikiluaq.

- Increase Inuit employment:
 - Increase and optimize Inuit employment: Inuit employment was affected by travel restrictions and quarantine measures which were provincial/territorial mandated. As compared to 2020, Inuit crewing did improve overall, although levels were still below pre-COVID levels.
 - QC continued in 2021 to stress the need for NFMTTC to focus on increasing Inuit employment in higher level positions and the importance of a mentorship program. A strategic review for NFMTTC confirmed this need and QC supports this work.
 - QC's new inshore research program also provided additional opportunities for Inuit employment and in 2021 a total of 13 Inuit were employed on the Ludy Pudluk and local vessels during the research season.
- Invest in the betterment of the Nunavut fishing industry:
 - Collaborative research and investments: In 2021, QC continued to support the research activities of NFA, NC and the NSRF, in addition to its own research. The Fisheries Division also continued to support priority community projects in collaboration with QBDC.
 - Marketing and sales: QC continued to work closely with its marketing agent, Sirena, to promote the Nunavut fishery/products. This arrangement was especially beneficial due to pandemic impacts on the Chinese market and Sirena's ability to diversify sales to new markets, thereby maximizing returns for the production.
- Take a strong leadership position in the fishing industry:
 - Leadership in industry and inshore fishery development: In 2021, QC continued to play an active leadership role in the Nunavut fishery, participating in industry organizations, conferences and meetings, regionally, nationally and internationally. With the first year of Ludy Pudluk activity, QC is implementing its Inshore Fisheries Development Plan, working with member communities to evaluate and develop future fishery opportunities.

Operations

Qikiqtaaluk Fisheries Corporation harvests cold-water shrimp (*Pandalus borealis* and *Pandalus montagui*) and turbot (*Reinhardtius hippoglossoides*) using the Saputi. In 2021/22 QC's 50% share of the Unaaq licence quota was harvested on the Saputi. QC also had an arrangement with Clearwater Seafood Ltd. Partnership (CSLP) to harvest a portion of QC allocations in Ungava Bay.

Through the implementation of sound COVID-19 protocols for crew shift changes and offloading the Saputi was consistent in its shrimp harvest for 2021/22 season and did not encounter any down time due to COVID. In 2021/2022 the Saputi fished shrimp for 136 days, over 10 trips, with 4,195 MT of shrimp product harvested. Over the 136 harvest days the vessel maintained an average of 30.8 MT per day. These daily harvest rates are consistent and indicate a strong biomass.

The Saputi harvested 2,042 MT of turbot in 2021/22 season. QC had a sharing agreement with the other Nunavut turbot allocation holders for 2019 and 2020. In 2021/22 this sharing agreement was not extended. As a result, QC had to make agreements with companies outside of Nunavut allocation holders due to the loss of over 1,100 MT from the previous two-year arrangement. The Saputi fished turbot for a total of 62 fishing days with average daily harvest of 32.9 MT, this in comparison to the previous season with for a total of 79 fishing days and an average daily harvest of 33.5 MT.

Governance

Strong governance is a hallmark for Qikiqtaaluk Corporation and for all of its related companies and divisions. This is no different for the Fisheries Division, which is held to account for its activities and

progress continually by QC's Senior Management and on a regular basis by the Board of QC. The owners of QC, the Qikiqtani Inuit Association (QIA), which represents all of the Inuit of the Qikiqtani region, is also updated on QC progress and activities on a regular basis, while also receiving dividends from QC based on its profitability.

For 2021/22, QC and its Fisheries Division continued to achieve all of its goals and objectives with respect to good corporate governance, inclusive of: the reporting and approval of fisheries activities and strategic plans through management and to the Board; the maintenance of a strong, highly competent and experienced management team; the reporting to and input from the company's shareholder QIA; and, despite ongoing restrictions related to the COVID-19 pandemic, expanding engagement activities with member communities.

QC continued its focus on strong and consistent governance throughout its organization, which was critical as it continued to face the challenges brought on by the COVID-19 pandemic. **For 2021/22, the governance structure, Board of Directors for QC and QFC, and key personnel all remained consistent.** This was instrumental in ensuring that the performance of the organization was maintained through challenging times.

Financial Performance

Appended to the Annual Report are the audited financial statements for 2021/22 for Qikiqtaaluk Corporation and Qikiqtaaluk Fisheries Corporation. Both statements demonstrate the continued financial performance and profitability of these companies, which is utilized to provide benefits to member communities in the Qikiqtani region, both through direct investments by QC and its annual dividend payment to QIA.

Financial and Investment Plans

QC's fisheries business activities have been highly successful for the company, providing significant returns which have been utilized for investments in fisheries and other sectoral activities to increase benefits for Inuit in the Qikiqtani region.

For 2021/22, despite the ongoing impacts of the COVID-19 pandemic on markets and supply chains and the loss of over 1,100 t of turbot allocation, QC's fishery operations had a very successful year in terms of meeting and largely exceeding its financial and investment goals, objectives and milestones. This success can be attributed to a number of factors, largely related to sound management and governance, including:

- Optimizing sales returns through QC's relationship with Sirena and their ability to change pack mixes and to diversify market opportunities and obtain optimal prices in challenging market times;
- Management's ability to negotiate temporary transfers for turbot largely from external players, to reduce the loss of turbot allocations available for harvest; and
- Conservative budgeting for 2021 that reflected the ongoing uncertainties related to the pandemic and allocation shares.

QC's fishery operations remain highly profitable and a very important contributor to the overall success of the company.

Benefits to Nunavut

QC has a strong commitment to providing benefits to its member communities in the Qikiqtani region, in keeping with the corporation's mission. As the only member of the Nunavut fishing industry that represents all of the communities in the Qikiqtani region, as well as the only company with a diversified

base of business operations where the royalties and profits from fishing operations can be invested to increase economic opportunities and achieve higher levels of Inuit employment, QC remains the logical entity to take a lead position in the Nunavut fishery and in the provision of benefits to the Qikiqtani region.

Going forward, QC is fully committed to making further improvements in direct Inuit employment. In addition, for 2021 QC's Fishery Division has a number of project and development priorities across a variety of areas, which build on the Division's approved strategic business and action plan. These projects include direct investments in inshore fisheries development for member communities utilizing the Ludy Pudluk, and other community investments made either directly by the Division or through Qikiqtaaluk Business Development Corporation (QBDC).

For 2022/23 and beyond, QC is committed to continuing its efforts to maximize Inuit employment on its vessel and in its operations, to provide its shareholder with an annual direct dividend payment, to provide direct support for communities in terms of contributions and donations, and to lead and contribute to community-based project initiatives both within and outside the fishery.

As the industry evolves from the pandemic, QC is projecting an approximate 20% increase in Inuit crewing levels on its vessel for 2022/23, with the following year seeking to build on its pre-pandemic levels. QC is looking to see the industry-sponsored mentorship initiative started through NFMTTC, to move Inuit into higher level positions and also improve the overall number of Inuit per trip. In addition, additional Inuit employment will continue to be provided on any trips where external companies utilize QC allocations, and QC will continue to utilize and train local Inuit as part of the inshore fisheries research program, on the Ludy Pudluk and on locally owned vessels.

With respect to its annual dividend return to its shareholder, QIA, the company is committed to working with QIA to maximize this benefit.

With respect to Fisheries Division led projects, the inshore fisheries research program on the Ludy Pudluk will take place in three communities in 2022/23 (Sanikiluaq, Igloolik, and Sanirajak), providing benefits in terms of employment and research on local fishery opportunities. In addition, QC will be looking to start implementation of its Inshore Fisheries Research and Development Training Initiative, a five-year program that will reach all 13 Qikiqtani communities. The Division has also participated in the QBDC Food Security Forum held in Iqaluit with elder and youth participation from all member communities, to discuss food security and sovereignty in the region, inclusive of the potential role of inshore fisheries in member communities. It will be holding the Division's Qikiqtani Community and Fisheries Development Forum in Iqaluit from October 24-26, 2022. The event will include at least two HTA representatives from each member community and will bring in guest speakers from Indigenous regions around the world to report on their fisheries development.

The Division will also continue to work with and support projects led by QBDC. In addition, it will continue to work with industry through its membership in NFA, NFMTTC, NC and the NSRF on projects to benefit Nunavut and Nunavummiut.