



# CUMBERLAND SOUND FISHERIES LTD

P.O BOX 185, Pangnirtung, Nunavut

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## Executive Summary

Since the inception of the commercial fishery in Pangnirtung, Cumberland Sound Fisheries Ltd. (CSFL) has played a pivotal role in pioneering and sustaining a winter, inshore, through-the-ice turbot fishery. The skills and knowledge for this traditional way of harvesting continues to be embraced from generation to generation within Nunavummiut, and the winter turbot and summer char fishery continue to offer meaningful employment to many Pangnirtung locals. In 1995, Pangnirtung Fisheries Ltd. (PFL) enhanced onshore processing capabilities by erecting an 8,500 square-foot plant in Pangnirtung which replaced a smaller one that CSFL had initiated in the late 1980s. Since this time, CSFL and PFL have worked collaboratively and in partnership to leverage the allocated quotas- united in a shared vision to optimize benefits for the Inuit and Nunavummiut.

Although historically, each organization (CSFL and PFL) has operated under its own respective Board, governance and management, a proposal to merge the two organizations into one entity to increase efficiency and decrease operating costs has been viewed favorably by NWMB and other stakeholders, and has been presented to the Shareholders of CSFL during a Special Meeting in March 2023. A reputable, third-party consultant has been hired to conduct a cost-benefit analysis on this option and provide advice on how to best move forward in processes related to the merger; findings and advice from this analysis will be presented to the Shareholders at the December 2023 AGM to be considered, and/or voted on to move it forward.

As a consequence of the anticipated merger, updates and revisions to most of the current Boards' governance documents, policies and processes have been paused with governance documents/policies to be refined and tailored to a merged Board. Policies and procedures regarding accounting practices, however, have been revised and updated as a result of CSFL's continued efforts to bring (and maintain) the organization's financial records to a current state. CSFL has been working tirelessly throughout the year, so that proper auditing from a reputable third-party agency can independently verify financial reports. This has proven to be a resource-taxing and extremely challenging but necessary undertaking, and although complete audited

reports are not yet available from our contracted agency due to the degree and the complexity of the files dating back to 2017, a schedule and plan has been submitted to NWMB with our annual report outlining our timeline for audited financials. Also, a plan has been established with our contracted auditing agency to perform quarterly audited financials on a go-forward basis, once our file has been brought current (this plan has also been submitted to NWMB). The new process for quarterly audits will allow for timely reporting of finances to Shareholders when required or requested and provide easily accessible and current details for annual reporting. Regarding the work within the finances, CSFL has performed a complete overhaul of accounting and reporting practices, including evaluation and implantation of a more user friendly platform, while delivering training on such to key staff members.

As noted earlier, the inshore fishery offers significant employment opportunities for many local Inuit residents; royalty profits from the offshore quota allocations for turbot and shrimp (harvested by Baffin Fisheries Coalition and Qikiqtaaluk Corporation respectively, via temporary quota transfer agreements, keeping with our practice of partnering with 100% Inuit-owned enterprises) subsidizes the inshore fishery and hence, is crucial to the overall health and success of the community. This model nicely reflects a principle guiding the NWMB's allocation policy, in that "offshore and inshore fisheries should be conducted in a way such that they are mutually supportive." CSFL/PFL proudly employs upwards of 200 Inuit fishers and plant employees as a result of the inshore fishing operations. Residents report this employment to have substantial positive impact on the mental health and overall well-being of members within their community by decreasing the dependence on social assistance, providing meaning employment and purpose, deterring suicides and drug use, encouraging traditional and cultural practices and promoting and strengthening connection between community members, families and with the land.

CSFL/PFL highly values and respects the cultural connectedness this work brings to the community, and to compliment this, have developed a "Cultural Calendar" in the workplace that honors and supports employees to partake in traditional cultural practices and activities throughout the year. Upon upgrades and revisions to current processing lines and procedures, this plan will see processing efforts scheduled around cultural harvest, hunting and fishing seasons, allowing full participation of the community. Further, CSFL/PFL continue to support and promote other programs and activities that benefit employees and the community as a whole. Youth engagement has been at the forefront of these initiatives as CSFL/PFL have recently evaluated supporting plant employees to be engaged in the breakfast program at the school 2 days per week (on work time), and in an after-school program teaching youth to make Pipsi (traditional Inuit dried char recipe/process). It is hopeful that Pittsi will eventually be offered as a value-added product from the plant, and that youth in the community can be engaged in its development and distribution.

In support of our larger, northern community, fishers from Pangnirtung recently welcomed members from Baffin Fisheries Coalition (BFC) to Pangnirtung ice to teach them the art and skill of fishing through the ice. This was done to foster and encourage the passing on of traditional fishing methods and to support the development of a potential inshore industry in other northern communities. Our long-term vision as experts in through-ice fishing and processing is to extend our teaching offer to other communities seeking this commercial opportunity in the future and be the northern “hub” for such training initiatives. The traditional through-ice fishing method is not commonplace, yet, increasingly sought and embraced by the national and international communities and markets as it boasts a sustainable, environmentally friendly and immensely healthy food option. This is a highly valuable asset that CSFL/PFL continue to proudly share and market to our Canadian and international markets.

CSFL/PFL are proud to report that plant operations are running exceptionally well, despite challenges related to aging and malfunctioning equipment. This year, the Pangnirtung plant processed a historical record amount of turbot with 550mt being harvested and processed by April, with the remaining 25mt of quota allowance to be harvested and processed by October. An increased inshore quota was available to be harvested and processed this year as a result of unfished quota and rollover from the previous year. It was decided to reserve a small portion of this rollover quota to allow for a summer fishing opportunity to local fishers.

As a result of failing equipment and minimal/inadequate plant investments since its construction, upgrades and improvements are in development as part of a comprehensive, 5-year business strategy. The objectives of this strategic plan are to implement a processing enhancement project via new infrastructure, new technology, new product and market development activities. The management team of PFL & CSFL have carefully researched and considered various opportunities to meet these objectives. The strategy contains short, mid and long-term projects requiring funding to support species-specific deliverables (turbot and char). These efforts have been slowed due to substantially decreased revenues from offshore quota reductions which pose challenges to investments required for infrastructure and resources. PFL/CSFL is however, committed to moving forward with the upgrade projects as they are imperative to the success of the facility and the ~200 Inuit reliant on the operations.

Specific details of the project objectives are as follows:

#### Short-mid term Investment Project Objectives (1-2 years)

- Improve efficiency and increase overall capacity of turbot processing;

- Introduce the processing of valuable turbot heads and tails which are currently discarded (thus decreasing resource waste);
- Improve quality of finished products for both turbot and char to increase market value of the products;
- Develop new process opportunities (secondary processing- smoking), which will create new and extended employment opportunities within the operation/community;
- Marketing initiatives including new printed packaging for increased brand awareness and recognition;
- Increase/upgrade in current cold storage capacity to:
  - significantly reduce overall carbon footprint through greener technologies,
  - substantially reduce shipping costs by eliminating current costly air freight requirements,
  - maintain and deliver higher quality products through consistent cold storage solutions

#### Mid-long term Investment Project Objectives (2-5 years)

- Improve freight/delivery systems and partnerships that promote greener, more economic solutions for product shipment
- Expand and modernize existing facilities, doubling existing processing capacity with a priority of worker safety and ergonomics;
- Research and development of further secondary processing opportunities (ie, "candied char");
- Establish training facility and education programming for inshore fisheries

Lastly, in the previous Annual Report, CSFL/PFL announced the upcoming opening of a new fishing supplies retail store in Pangnirtung. We are excited to report this has been a successful initiative that has offered a full-time employment opportunity for the community. The store was constructed by repurposing an existing structure outside the fish plant. The store, Papiruuq, offers a convenient, cost-effective option for locals to purchase items such as: general hardware, fishing gear/supplies, boat parts/supplies, fishing apparel and accessories, arctic Char filets, turbot, various seafood proteins, lumber, and when available, other general merchandise items. We are eager to introduce in the upcoming season, sales of shrimp, harvested from the CSFL/PFL

offshore quota allocations. Due to its success, Piparuq is now expanding to an additional online store to allow other northern communities timely, more cost-effective options to purchase required fishing and non-fishing related supplies and merchandise.

The past year has presented our community and our CSFL/PFL organizations with many unfortunate tragedies, curveballs and challenges. Yet, the resilience, perseverance and determination of the community of Pangnirtung and the community in CSFL/PFL shine through darkness and keep light on what we know our potential to be. We continue to make significant strides together, toward company and community betterment, because in doing so, we support each other, and we lay the foundation for future generations to thrive.