



# 2023 Annual Report Executive Summary

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## Executive Summary

Arctic Fishery Alliance Limited Partnership (AFA) was established with the intention of ensuring that any benefits accrued from the harvesting of its Greenland halibut (turbot) quotas are returned to its owner communities of:

1. Arctic Bay (Ikajutit)
2. Grise Fiord (Iviq)
3. Qikiqtarjuaq (Nattivak)
4. Resolute Bay

In 2023, AFA faced a number of challenges arising from problems encountered with the introduction of its new vessel, the F/V Kiviug I, into the fishery. Planned specific quota cuts imposed upon AFA previously, continued in 2023. In 2023 AFA's allocated quota was cut by another 506 MTs, a further reduction of 23% from its 2022 allocated quota. Also, AFA's 2023 net profit from fishing operations was adversely affected by a one-time retroactive assessment from Workers Compensation Nunavut in the amount of \$796,000. In concert with these adverse events, AFA's maiden fishing voyage with hook and line technology in late 2023 was not the resounding success that had been hoped for. Significant supplier driven issues, and the learning curve associated with harvesting using hook and line technology combined with a moon pull. This caused a trip loss of \$2.0M to \$2.5M. All of this combined resulted in significantly lower catch rates. The effect of these events is illustrated in AFA's draft statements for 2023. Vessel revenue dropped by 37%. Consequently, AFA had to transfer quota to another Nunavut fishing enterprise. This could not be avoided because of the uncertain catch rates of the day-to-day fishing operations of the new vessel. At the time, the hope was that as the first fishing trip progressed, catch rates would improve and the full allocated quota would be caught. Unfortunately, AFA ran out of time despite its best efforts.

Despite these setbacks, AFA made progress on several of its stated goals and objectives. Headway was made in controlling and again reducing professional and consulting fees by significant margins as well as significant savings in vessel maintenance and refit costs as can be seen in the 2023 draft financial statements.

### **Stewardship**

In 2023, AFA continued to adhere to its commitment of utilizing only fixed gear to harvest turbot. Hook and line has been proven to be an environmentally-friendly and superior method of harvesting quality catch as opposed to using gillnets. As mentioned above, results were disappointing in 2023, However AFA believes in this technology and will continue to monitor its performance.

AFA continued to use the F/V Suvak and the F/V Atlantic Optimist, a vessel chartered from Ueushuk Fisheries Limited (a fishing enterprise operating on behalf of the Innu of Labrador), to harvest turbot allocations in Northwest Atlantic Fisheries Organization (NAFO) Divisions OA and OB using gillnets. AFA's new vessel, the F/V Kiviug I made its inaugural fishing trip late in the season, utilizing automated hook and line harvesting technology. AFA anticipates with the new F/V Kiviug I operational in 2024, in

conjunction with the F/V Suvak, AFA will be able to harvest its entire quota allocation in 2024 utilizing its own vessels. AFA continued to follow the principles of responsible harvesting practices and regulatory compliance when undertaking its operations.

AFA would like to note its efforts to adhere to the Nunavut Wildlife Management Board's (NWMB) requirements for responsible stewardship, including continuing to avoid any identified sensitive habitat areas. AFA continues to be a member of the Marine Conservation Working Group that has supported the establishment of three Marine Refuges in Baffin Bay and Davis Strait. Moreover, AFA continued to utilize its vessel, the F/V Kiviuq II (formerly the F/V Kiviuq I), as a science and research platform to undertake research in the Arctic in 2023. AFA fully supports research into the marine ecology and fisheries dynamics in waters adjacent to Nunavut, as this important work supports sustainable fisheries management and the opportunity to develop inshore fisheries in the region.

### **Business**

In 2023, AFA continued to participate in NAFO Divisions 0A and 0B turbot fisheries in Nunavut, ensuring the harvesting of 97.7% of its allocated quota allocation by itself and another Nunavut based fishing company. In 2024, AFA continues its post-pandemic recovery, despite the challenges it has faced. . The eventual success of the new vessel using hook and line technology will pay dividends in future years.

In its quota application AFA committed to purchasing a modernized state-of-the-art vessel to improve its ability to harvest its full quota, bolster its Inuit employment capabilities, and improve the sustainability of its fishing operations. In 2021, AFA made progress towards this goal and identified a suitable vessel, the F/V Anna, subsequently renamed the F/V Kiviuq I. The purchase was finalized in June of 2022 and the vessel began upgrades, the installation of a state-of-the-art factory and freezer for processing turbot and an upgraded Mustad automated longline system. Upgrades and refits were completed in 2023 and continue in 2024, As mentioned, F/V Kiviuq I subsequently made its inaugural fishing trip late in the 2023 season. As with any new vessel, AFA experienced some disappointing fishing results in its initial trip. This purchase facilitates and enables further progress on several of AFA's business commitments as it continues its "break-in" period during the 2024 fishing season and becomes fully operational once determining its harvesting and freezing capacity with certainty, as this was a cornerstone commitment of its (2019) Strategic Plan.

### **Governance**

In 2022 AFA was unable to hold any in-person meetings in its communities, and associate commitments were postponed. Poor internet infrastructure within AFAs High Arctic communities also made it difficult to hold virtual meetings. As such, in 2023 the AGM postponed from 2022 was held in-person in a centralized location (Ottawa) in February 2023, at which time Board members were updated on operations and matters requiring their approval, including the appointment of a new Chair. With improvements made to internet infrastructure a Board meeting was also held via a video conference in December, during which time members reviewed and approved a finalized Community Benefits Plan, Engagement Strategy, and Updated Governance Plan.

AFA continued to face challenges recruiting a replacement Director of Community Relations (DCR) in 2023. To broaden the search for qualified candidates in 2023, AFA created a replacement position for the DCR role, the Manager of Community Benefits and Relations (MCBR), a new senior management position with similar job responsibilities as the DCR. AFA advertised publicly for a new MCBR in December of 2022, and subsequently filled the position on April 1 of 2023. In the past AFA has encountered difficulty in filling and retaining its Community Fishery Liaison Officers (CFLO) positions, (formerly called CLO) with the part-time nature of the job making it unattractive to qualified candidates. AFA committed to seek funding to assist in the conversion of the CFLO positions to fulltime. In 2022, AFA received funding from the Kakivak Association to promote its existing CFLO in Grise Fiord to full-time. In July of 2023, AFA received funding from Fisheries and Oceans Canada's (DFO) Northern Integrated Commercial Fisheries Initiative (NICFI) to convert its remaining vacant CFLO positions to fulltime. Great progress has been made in filling all CFLO positions starting in 2023 and continuing into 2024. It should be noted all 4 CFLO positions have been successfully filled and funding secured. As fulltime positions, they will be tasked with the additional responsibility of coordinating community-led inshore fisheries development activities.

The new fulltime Community and Fishery Liaison Officers (CFLOs) will work with their local HTAs, hamlets, and community members to advance community-led inshore fisheries development activities, while also maintaining their current responsibility as AFA's primary representative in their community. In 2023 AFA promoted its existing parttime CFLO in Grise Fiord to fulltime and amended their contract to include the addition of facilitating local fisheries development activities. In November of 2023 AFA hired a new CFLO for Arctic Bay, and subsequently in the first quarter of 2024 filled the vacant CFLO positions in Qikiqtarjuaq and Resolute Bay.

### **Financial and Investment Plan**

AFA's primary financial commitment for the 2021-2025 Allocation Period was the acquisition of a state-of-the-art fishing vessel. A deal to purchase such a vessel was nearly completed in the summer of 2020 when extenuating COVID-19 related circumstances caused the seller of the vessel to abruptly cancel the deal. AFA continued its search for a vessel and in 2021 identified a suitable vessel, the F/V Anna (subsequently renamed the F/V Kiviug I). The purchase was finalized in June of 2022 and the vessel and its upgrades and refits were completed in 2023. The F/V Kiviug I completed its inaugural fishing trip in late 2023.

As a result of the cancellation of the sale by the seller, AFA sought mitigation in the form of binding arbitration, which was agreed to by the seller. A decision was made by the arbitration court in Iceland in early 2023. This decision was totally in favour of AFA and AFA was awarded \$3.7 million in costs and interest. This award was paid out in June 2023. This \$3.7 million reimbursed AFA for its previously professional, legal and consulting fees, as well as many other costs related to AFA's pursuit of this vessel including damages and interest. Note that this litigation award negates previous criticism by many parties as to the high levels of costs incurred by AFA in its pursuit of a larger state of the art fishing vessel.

AFA, in 2021 built a new head office space in Qikiqtarjuaq that in use since March 2022.

AFA also continued to provide a significant portion of its revenue/cash flow as cash benefits to its owner communities.

**Benefits and Employment Plan**

AFA’s positive trend of increasing Inuit employment was interrupted in 2020 by the COVID-19 pandemic and associated restrictions. Due to the extensive loss of fishing days, employment opportunities and benefits for Inuit were severely curtailed. In 2021, AFA adapted to the ever-changing impacts of the ongoing COVID-19 pandemic as the restrictions and associated impacts changed. AFA was able to employ 20 Inuit during harvesting activities in 2021, 17 in 2022 and 21 in 2023. In 2023 and now in 2024 AFA also employs an all time high of 7 Inuit in mid to senior management positions. This is a major achievement by AFA in its goal to increase Inuit employment.

AFA continued to adhere to its commitments to provide cash benefits to its owner communities. In 2023, AFA provided more than \$180,000 in direct cash benefits to its owner communities. Additionally, in 2023 AFA directly paid the Canada Revenue Agency more than \$400,000 in corporate income tax on behalf of AFA Community Holdings Incorporated, owned by the four community trusts of AFA’s owner communities. Had AFA not paid these corporate taxes, they would have been a liability and the responsibility of the communities and residents themselves. In 2023 AFA has held discussions with its auditors and tax experts to change its structure to eliminate the liability of these corporate taxes. Also, in 2023 the AFA Board of Directors approved a commitment to provide each community with minimum cash contributions of \$60,000 per community in addition to other benefits it provided to the communities on a regular basis. This policy allows each community to be treated equally and fairly.

Table 1 below summarizes AFA’s previous commitments outlined in its Application for Allocation (2021-2025) and their current status.

**Table 1. AFA's previous commitments and current status.**

Section	Previous Commitment	Current Status
<b>Stewardship</b>	Harvest turbot using exclusively fixed gear	✓
	Acquire a new vessel to harvest turbot that is an industry leader in sustainable design and technology	✓ (in 2022)
	Continue to investigate alternative gear and fishing practices to improve sustainability	Ongoing
	Support marine research in Nunavut waters when profitable to AFA	✓
	Avoid fishing in identified sensitive habitat areas	✓
<b>Business</b>	Acquire a new, sustainable vessel that uses innovative fixed gear and processing technology and use it to harvest AFA’s entire turbot quota	✓ (in 2022)
	Reassign the F/V Suvak to research and community supply delivery once the F/V Kiviuq I is retired.	Ongoing awaiting successful results of new vessel operations
	Participate in research when profitable & beneficial for AFA’s owner communities	Ongoing
	Investigate access to other groundfish fisheries	Ongoing
	Develop a plan to finance the acquisition of additional turbot quota	Ongoing

<b>Governance</b>	Finalize & implement Benefits Policy	✓ Delayed in 2022. Approved and finalized in 2023. Implementation expected in 2024 with the new MCBR in place.
	Approve & implement Engagement Strategy	
	Approve & implement updated Governance Plan	
	Complete purchase of new vessel as part of Strategic Plan	✓
	Annual election of Chairperson of the Board of Directors and Secretary-Treasurer	✓
	Pass Board resolutions to direct management with major corporate decisions	✓
	Hold an Annual General Meeting and Board meetings on a quarterly basis	Board meetings held via teleconference. AGM postponed in 2022 and subsequently held in February of 2023, and 2023 AGM to be held in fall 2024.
	Provide new Board members & Trustees with an onboarding package in advance of the AGM	✓
<b>Financial and Investment</b>	Purchase of a new state-of-the-art fishing vessel	✓ (in 2022)
	Contribute a portion of profits to its four owner communities, appropriate to business performance	✓ Ongoing
	Purchase or build a new head office space in Qikiqtarjuaq	✓ (opened in 2022)
	Seek financing for the acquisition of additional quotas	Ongoing
<b>Employment and Benefits</b>	Phase out non-Inuit employment through time, aided by the planned purchase of a new vessel	Ongoing
	Explore alternate employment opportunities within the organization for Inuit members	Ongoing
	Continue hiring Community Liaison Officers (CFLOs), (formerly CLOs)	✓ DCR/MCBR and vacant CLO/CFLO positions filled in 2023 and early 2024
	Hire a suitable Director of Community Relations (DCR)	✓ DCR position changed to MCBR, advertised in December of 2022 and filled in 2023.
	Resume monthly meetings of DCR, Community Development Officer (CDO) and CLOs	DCR/MCBR and vacant CLO/CFLO positions filled in 2023 and monthly meetings anticipated to resume in 2024.
	Acquire or build a new Qikiqtarjuaq office space	✓ Completed in 2022 and 2023.
	Continue to follow the Inuit Training Plan	Ongoing.

AFA's commitments for 2024 are included in Table 2. Most of these commitments are rollovers and extensions of the commitments AFA presented in its most recent *Application for Allocation (2021-2025)*. The COVID-19 pandemic presented unheralded challenges for progress in 2020 and 2021, forcing AFA to focus on the survival of the business and to deprioritize and postpone many of its previous commitments. 2022 marked the beginning of a "return to normal" that allowed AFA to begin prioritizing the pursuit of its commitments with fewer external challenges and it was able to make even greater progress on its commitments in 2023. Importantly, AFA secured a modern long-line vessel that will improve the sustainability of AFA's operations, improve harvesting capacity, allow AFA to harvest its full quota and provide greater opportunity to increase the level of Inuit employment. With upgrades and refits to the new vessel completed in 2023, AFA was able to continue this positive momentum in 2023, and AFA is showing significant progress towards its commitments.

**Table 2. AFA's commitments for 2023 with associated timelines.**

Section	Commitment	Timeline
<b>Stewardship</b>	Harvest turbot using exclusively fixed gear	Ongoing
	Acquire a new vessel to harvest turbot that is an industry leader in sustainable design and technology	Completed in 2022; Vessel to undergo a "break-in" period in 2023 and 2024.
	Continue to investigate alternative gear and fishing practices to improve sustainability	Ongoing
	Support marine research in Nunavut waters when profitable to AFA	Ongoing
	Avoid fishing in identified sensitive habitat areas	Ongoing
<b>Business</b>	Acquire a new, sustainable vessel that uses innovative fixed gear and processing technology and use it to harvest AFA's entire turbot quota	Completed in 2022; Vessel to undergo a "break-in" period in 2024.
	Focus harvesting all of the current turbot allocations using the F/V Suvak (short term) and a new efficient, innovative, and ecologically friendly vessel	2024
	Once the former F/V Kiviug I (now F/V Kiviug II) is retired, purchase of a replacement vessel or reassign and upgrade the F/V Suvak to fulltime workboat for research and community supply delivery.	2024/2025. F/V Suvak anticipated to continue harvesting until F/V Kiviug I is out of its "break-in" period.
	Participate in research when profitable & beneficial for AFA's owner communities	Ongoing
	Investigate access to other groundfish fisheries	Ongoing
	Develop a plan to finance the acquisition of additional turbot quota	Ongoing
	Assist owner communities to purchase Community Vessels	Ongoing
<b>Governance</b>	Finalize & implement Benefits Policy	2024. Implementation only. All were finalized in 2023 and approved by BOD
	Approve & implement Engagement Strategy	
	Approve & implement updated Governance Plan	
	Complete purchase of new vessel as part of Strategic Plan	Met
	Annual election of Chairperson of the Board of Directors and Secretary-Treasurer	Met
	Pass Board resolutions to direct management with major corporate decisions	Ongoing
	Hold an Annual General Meeting and Board meetings on a quarterly basis	Ongoing
	Provide new Board members & Trustees with an onboarding package in advance of the AGM	By AGM in February Ongoing
<b>Financial and Investment</b>	Purchase of a new state-of-the-art fishing vessel	Completed in 2022
	Contribute a portion of profits to its four owner communities, appropriate to business performance	Ongoing
	Purchase or build a new head office space in Qikiqtarjuaq	Completed in 2021, opened in 2022 and made completely operational in 2023
	Seek financing for the acquisition of additional quotas	Ongoing
<b>Employment and Benefits</b>	Phase out non-Inuit employment through time, aided by the planned purchase of a new vessel	Ongoing
	Explore alternate employment opportunities within the organization for Inuit members	Ongoing
	Continue hiring CFLOs	Was achieved in 2023/24
	Hire a suitable MCBR	2023 (completed in April of 2023)
	Resume monthly meetings of MCBR, CDO and CFLOs	2024

	Acquire or build a new Qikiqtarjuaq office space	Completed in 2021, opened in 2022 and finished in 2023
	Continue to follow the Inuit Training Plan	Ongoing