

2.2 Executive Summary

1. Background

Baffin Fisheries (*BF, BFC, or Baffin Fisheries Coalition*) is the leading commercial fishing enterprise in Nunavut. BFC and its wholly owned operating subsidiary, Niqitaq Fisheries Ltd., are 100% Inuit owned and managed, with three 100% Inuit-owned fishing vessels (two factory freezer trawlers and one factory freezer gillnetter), and one new 80m stern trawler under construction. Baffin Fisheries/Niqitaq Fisheries Ltd. is jointly owned by five Hunters and Trappers Associations in the Qikiqtani region of Nunavut: Mayukalik, Mittimatalik, Nangmautaq, Amaruq, and Pangnirtung. Each HTA owns 20% of the Company and BFC also owns a minority share in Pangnirtung Fisheries Ltd. 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.

The Company's mission is to maximize benefits and ensure sustainability of fisheries resources for Nunavut. Our vision is to be the leading producer of premium wild cold-water seafood.

The Company's mission will be achieved by sustainably managing and harvesting Nunavut's fisheries resources and increasing the number of Inuit beneficiaries working in management positions, and at sea. Profits from sustainable activities will be used to generate additional economic activity in Nunavut communities, and to support economic independence for Hunters and Trappers Associations through increasing royalty payments. Growth will be achieved by vertically integrating the Company to include all aspects of vessel management, sales & marketing, and training support, and by developing new business opportunities, such as a stand-alone seafood marketing and sales company.

2. Harvesting Activity

Turbot Harvesting

In 2023, Baffin Fisheries (BFC) harvested 8,837 metric tonnes (Mt) of turbot from Nunavut's areas OA and OB. BFC exceeded its allocated quota by harvesting an additional 2,396 Mt, facilitated through quota purchases from other allocation holders. Quota swaps with LFUSCL banker boats also contributed to BFC's operations, harvesting 895 Mt on behalf of BFC.

Shrimp Harvesting

In 2023, BFC harvested a total of 2,690 Mt of Northern shrimp across Nunavut's waters (Ungava Bay, Davis Strait West, and Nunavut East). Shrimp harvesting in southern areas resulted in 2,567 Mt harvested from SFA 5.

Operational Challenges

During the season, BFC's fleet experienced downtime due to maintenance and repairs:

- 55 days of downtime for the Inuksuk I due to a winch failure
- 50 days for the Sivulliq due to ramp and gearbox repairs
- 30 days for the Arluk II due to ice conditions in area OA

Despite these challenges, the company maximized its operations through effective fleet management and quota transfers.

3. Vessel Operations

The company operates three vessels:

- Inuksuk I and Sivulliq: Mobile-gear vessels capable of harvesting both turbot and shrimp using single and double bottom trawls. Each vessel can carry up to 650 Mt of turbot or 440 Mt of shrimp and operate in deep waters of up to 700 fathoms.
- Arluk II: A fixed-gear vessel contributing 20% of BFC's annual turbot harvest, with a capacity to process 15 tonnes per day. The vessel typically deploys 50 nets per string, hauling 2-3 strings daily.

In addition to its own fleet, BFC charters vessels such as the Atlantic Enterprise and Northern Osprey III to optimize operations year-round, especially in southern shrimp areas. The company plans to continue using these vessels and charter additional mobile-gear vessels as needed for the upcoming year, with delivery of the new vessel expected in October 2024.

Landing and Processing Operations

Baffin Fisheries processes and packages all turbot and shrimp onboard its vessels, ensuring product quality and efficiency. Once harvested, the fish is offloaded in Newfoundland or Nuuk, Greenland. If offloaded in Greenland, the product is transported to Denmark for further processing and sale.

Temporary Transfers allow BFC to ensure quota is harvested even during operational disruptions due to ice conditions or mechanical failures. BFC's transfer policy complies with Part 9 of the 2019 Allocation Policy, prioritizing Nunavut enterprises with harvesting capacity. Baffin Fisheries maintains partnerships with southern enterprises, such as the Labrador Fishermen's Union Shrimp Company (LFUSCL), to access southern shrimp quotas in areas SFA 5 and SFA 6. These partnerships allow BFC's vessels to operate for 10-11 months annually, offsetting the shorter ice-free season in northern waters.

4. New Vessel

Baffin Fisheries will take delivery of its new 80m multi-species stern trawler in the fourth quarter of calendar 2024. The Company has a dedicated staff of six marine engineers and electricians in Turkey to oversee construction.

This vessel incorporates advanced technology to minimize fuel consumption and emissions, such as:

- Electronic regenerative winches to conserve energy
- The most fuel-efficient marine diesel engine on the market
- Urea-based NOx emissions reduction technology
- Zero discharge capabilities

Additionally, the vessel is equipped with a research lab, wireless underwater cameras, and accommodations for scientists, positioning it to support marine research alongside fishing.

5. Financial Results

Baffin Fisheries had a highly successful year, with total revenues and profits exceeding the budget. The shift to selling through the company's new subsidiary, Baffin Seafood ApS in Denmark, enabled sales directly to end users, bypassing traditional wholesalers, and increasing margins. Baffin Seafood successfully met its performance targets for reselling third-party products and maintained premium pricing under new sales terms.

Royalties and Investments

Baffin Fisheries increased royalty payments to the Hunter and Trapper Organizations (HTOs) by 118%, reaching \$2.8 million. This increase reflects the company's commitment to sharing profits with Nunavut communities. The delivery and integration of the new vessel in late 2024 will further enhance profitability, increase safety and comfort for crew members, and reduce operational costs. Further royalty increases are planned, as BFC assists the HTAs in setting up larger accounting systems, and HTAs put in place their business plans.

The top investment priority for Baffin Fisheries is the construction of a new 80-meter factory freezer trawler, representing a \$76 million investment. Additional capital investments are made annually in our fleet, to improve performance and extend the vessel's life.

Outside the fishing industry, Baffin Fisheries invested in infrastructure to support community development, including a further \$119,000 investment in the Clyde River Building, providing office space for the HTA, rental income opportunities, and a new employee to support inshore fisheries, and \$62,000 was spent on refurbishing community freezers and training community members in freezer maintenance.

Debt Management

Baffin Fisheries implemented interest rate swaps to protect against rising interest rates, securing favorable financing conditions for 50% of the company's debt. The final downpayment for the new vessel was funded through working capital, instead of debt, saving over \$1 million in interest expenses.

6. Strategic Focus

Baffin Fisheries appointed Kavavow Mikijuk as the new President, who will be mentored as the future leader of the Company and will lead the expansion of the Iqaluit office. The company plans to hire a Crewing Manager, Finance Manager, and other Nunavut-based staff to increase Inuit representation and leadership within the company.

Baffin Fisheries' community benefits plan focuses on three key areas:

- Infrastructure: The company opened its Clyde River office and identified a site for a new office in Kimmirut, with plans to support inshore fisheries.
- Business Development: Inshore fishing remains the strategic focus and priority. Additional turbot ice-fishing trips are planned for Pond Inlet and Clyde River.
- Skills Training: The company continues to support Nunavut employees enrolled in the Nunavut Fisheries Management Training Certificate Program, with additional training opportunities planned for 2025.

Baffin Fisheries remains committed to community infrastructure, employment, and socio-economic development, reinforcing its mission to maximize benefits to Nunavut communities.

Strategic Plan

The Board of Directors has begun work on the next five-year strategic plan for 2025-2030. The strategic priority will continue to be maximizing benefits to Nunavut. Key elements of the plan under discussion include:

- Nunavut employment: reinvigorated effort and plans to increase management jobs in Nunavut, and senior positions on vessels.

- Cost Efficiency: fleet renewal and reduced maintenance costs remain the primary drivers for reducing operating costs.
- Sales Strategy: Increased third-party sales through Baffin Seafood ApS, and development of new products are under discussion.
- Financing Strategy: Continued use working capital to reduce interest payments.
- Enhanced Safety Culture: Baffin Fisheries implemented several improvements to its fleet’s Safety Management System (SMS) in 2024 and will significantly increase its focus on safety in 2025 and thereafter. Increased investments in safety, safety training, orientation, reporting, and mentoring will help the Company train and employ more new employees from Nunavut.

7. Crewing

To further support Inuit employment, Baffin Fisheries will continue offering a Nunavut living allowance to eligible crew members and invest \$1.5 million annually in crew settlements, encouraging Inuit employees to pursue leadership positions.

Increase in Inuit Employment

Baffin Fisheries achieved a notable increase in Inuit employment during 2023, employing a total of 76 Inuit beneficiaries, with 57 positions aboard vessels, reflecting 52% Inuit employment (up from 49% in 2022). Despite logistical challenges, including limited flights between Nunavut and landing ports, the company successfully onboarded 19 new Inuit crew members across its three vessels. For example, Fishing Trip 4 aboard the Sivulliq had 75% Inuit crew.

Baffin Fisheries continues its commitment to increasing Inuit representation in technical and managerial roles. The company aims to provide stable, permanent employment by extending the fishing season through vessel acquisitions, quota swaps, and additional quota purchases.

8. Outlook

Baffin Fisheries remains committed to meeting its five-year goal of increasing profitability and HTA royalty payments, developing inshore fisheries activity, growing its sales and marketing function, reducing our environmental footprint, improving vessel maintenance, and increasing benefits to Nunavut, including Inuit employment.

Figure 1 – Summary Table of Benefits

Goal	Progress Towards Goal	Future Commitments
Maximize efficiency to increase funding for delivery of benefits	<ul style="list-style-type: none"> • New vessel almost complete • New COO hired to reduce maintenance costs • Interest rate and currency instruments in place, and fuel price hedging to reduce risk. 	<ul style="list-style-type: none"> • Reduce maintenance and fleet costs. • Increase royalty payments to HTAs • Increased HTA admin support • Improved sales and marketing performance
Maximize value from fishing operations	<ul style="list-style-type: none"> • Baffin Fisheries harvests the vast majority of its total allocation with its 100% Inuit-owned vessels and its own employees. • Completed another successful harvest year, harvesting 100% of turbot allocation and executing several shrimp quota swaps to maximize fleet utilization and profitability. 	<ul style="list-style-type: none"> • Harvest of 100% of economically viable allocations • Maximize use of BF fleet in harvesting • Increase BF fleet harvest and harvesting efficiency with new vessel • Maximize asset utilization through strategic quota swaps

<p>Improve Work Experience</p>	<ul style="list-style-type: none"> • Sustained Northern Living Allowance for crew members in Nunavut • Modernizing fleet • Increased training and orientation • Deployment of charter aircraft where possible to ease crew travel burden. • New Safety Management System and culture of safety enhancements coming. 	<ul style="list-style-type: none"> • Mentorship program underway, and continued investment in industry wide NFMTCC mentorship program • Implementation of integrated Safety Management System (SMS) • Improved safety training to allow more new workers to be safely oriented on board.
<p>Increase Nunavut Employment</p>	<ul style="list-style-type: none"> • New President hired • Recruitment program underway for Nunavut crew • Working closely with NFMTCC to increase training capacity and effectiveness • New positions in Pond Inlet and Clyde River with emphasis on Inshore Fisheries Development 	<ul style="list-style-type: none"> • Two new Inuit second mate positions maintained. • New mentorship positions to be created. • Developing an executive management certification program for Nunavut employees • New positions in Nunavut
<p>Improve Governance</p>	<ul style="list-style-type: none"> • Regular Board Updates distributed in communities • Board Governance training sessions, and increased orientation for new members • Board managing certain areas of operations 	<ul style="list-style-type: none"> • New President to be mentored to be future leader • Review of Board recruitment and increase pool of potential candidates
<p>Develop Economic Activity in Nunavut Communities</p>	<ul style="list-style-type: none"> • New building in Clyde River 100% complete; Inshore Fisheries Manager in place • Refurbished Kimmirut HTA freezer, repaired HTA freezers in Pond Inlet, Clyde River • Supported infrastructure and materials for continued ice fishing activity in Pond Inlet and Clyde River • Supported purchase and delivery of HTA lumber and materials sealift orders for the year. • Pursuing partnership with other Nunavut Fishing companies to develop dedicated supply run for HTA materials and frozen food products, such as shrimp. 	<ul style="list-style-type: none"> • More inshore turbot Ice fishing activity planned for 2024. • Commitment to deliver larger quantities of shrimp, frozen food, and hunter/trapper supplies to communities. • Increased support to HTAs. • Continued pursuit of new business opportunities based on community need.
<p>Ensure Sustainability</p>	<ul style="list-style-type: none"> • Full participation and investment in all NFA environmental initiatives and significant financial contribution to all projects. • Invested in R&D, such as new technology such as Greenland Shark excluder gear and low-impact trawl bottom gear. • Continued use of upgraded gillnets, ensuring AIS locator sensors on 100% of nets to ensure zero loss. • Continued compliance with all stewardship laws and guidelines • New research projects to (1) optimize harvesting methodology to reduce greenhouse gas emissions, and (2) review viability of marine search and rescue capabilities. 	<ul style="list-style-type: none"> • Commitment to development of Greenland Shark Excluder • Reviewing, and where possible procuring, new technologies to reduce the environmental footprint of new vessel. • Seeking partnership to co-develop new opportunities and species which allow increased activity in winter season. •