



2022 Annual Report

Prepared For:

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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 2021, AFA had an outstanding year both operationally and financially, despite continuing to encounter many challenges arising from the global COVID-19 pandemic. AFA's top priority remained the safety of its staff and communities and the survival of its business. As reported in last year's Annual Report (2020), as the result of pandemic impacts, AFA posted its first financial loss. This highlighted the challenges of operating an Arctic fishing enterprise during a global pandemic. However, in 2021 AFA adapted to the ever-changing impacts of the still ongoing COVID-19 pandemic, and aided by improved markets and operating conditions, was able to return to profitability (with net earnings of over \$2.7 million) and make some progress on a few of its stated goals and objectives. This document reports on these achievements and difficulties, in accordance with the Nunavut Wildlife Management Board's *2019 Allocation Policy for Commercial Marine Fisheries*.

On March 22nd, 2021, Qikiqtaaluk Corporation (QC) sent an unsolicited offer directly to AFA's owners (the HTAs and Community Trusts) to enter into a harvesting and management agreement, with respect to AFA's commercial allocations of turbot and shrimp provided through NWMB. This offer was not made to the AFA executive and the executive was not copied on the offer. The QC offer had the traits of a hostile takeover attempt of the AFA enterprise. When the Executive Committee became aware of the offer, a series of meetings from March to October involving AFA Executive Committee, Board members and management were required to assess the offer and develop a strategy to respond. The Board decided to decline the QC offer at a meeting on June 25th highlighting how QC had acted contrary to one of the founding fundamental principles of the NWMB Allocation Policy which is "To achieve a prosperous Nunavut-controlled fishery, there is a need for people to work together to achieve this common purpose (see the Inuit Qaujimaqatuqangit principle of Piliriqatigiingniq)". Letters communicating this position were sent to QC, the NWMB, DFO and others in November. AFA notes this hostile take-over attempt by QC preoccupied much of its Board, Executive Committee, and senior management's attention from March to November of 2021.

Stewardship

In 2021, AFA was able to return to adhering to its commitment of utilizing only fixed gear to harvest turbot after this was compromised in 2020 by the pandemic and associated public health restrictions. In 2021, AFA used 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 0A and 0B using gillnets. 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 Kiviug I, to undertake research in the Arctic in 2021. AFA fully supports research into the marine ecology and fisheries dynamics in waters adjacent to Nunavut, as this important work supports sustainable fisheries management.

Business

In 2021, AFA continued to participate in NAFO Divisions 0A and 0B turbot fisheries in Nunavut, harvesting 98.9% of its total quota allocation. In 2020, AFA's suffered a financial loss for the first time in over eight years due to COVID-19 pandemic-related and other unforeseeable obstacles that drastically decreased the amount of turbot landed. In 2021, AFA adapted to the ever-changing impacts of the still ongoing COVID-19 pandemic and was able to return to profitability with net earnings of over \$2.7 million.

AFA recently 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, to be renamed the F/V Kiviug I. While the purchase was not finalized in 2021, it has since been finalized as of June 2022. This purchase will facilitate and enable further progress on several of AFA's business commitments as it enters operation in 2023, as it was a cornerstone commitment of its recent (2019) Strategic Plan.

Governance

Due to the continued disruption caused by the COVID-19 pandemic, in 2021 AFA was unable to hold any in-person meetings in its communities. Due to health and safety concerns as expressed by its directors AFA management made the decision not to travel to the owner communities. As well, poor internet infrastructure within AFA's High Arctic communities made it difficult to hold virtual meetings. As a result, the Annual General Meeting was unable to be held in 2021, and elections were postponed to 2022. Because of COVID-19 pandemic related travel restrictions and concerns, management was unable to identify and interview any potential replacement candidates for its Director of Community Relations (DCR) and vacant Community Liaison Officer (CLO) positions.

Financial and Investment Plan

AFA's primary financial commitment for the 2021-2025 Allocation Period is 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 remained dedicated to this commitment and in 2021 AFA identified a suitable vessel, the F/V Anna (to be renamed the F/V Kiviug I), as a likely candidate. While the purchase was not finalized in 2021, it has since been finalized as of June 2022.

In 2021, AFA built a new office building to serve as its head office in Qikiqtarjuaq. AFA also continued to provide a portion of its revenue 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 still ongoing COVID-19 pandemic as the restrictions and associated impacts changed. AFA was able to employ 20 Inuit during harvesting activities in 2021, in addition to four Inuit employed in administrative and management positions.

AFA continued to adhere to its commitments to provide cash benefits to its owner communities. In 2021, AFA delivered cash and cash-equivalent benefits to its owner communities and organizations: \$168,465 in total was given to the Hunter and Trapper Associations of each of its four owner communities. Additionally, in 2021 AFA paid the Canada Revenue Agency \$300,000 in corporate income tax on behalf of AFA Community Holdings Incorporated, owned by the four community trusts of AFA’s owner communities.

Table 1 below summaries 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 |
|--------------------|---|---|
| Stewardship | 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 | ✓ |
| Business | 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 Kiviug I is retired. | Ongoing |
| | Participate in research when profitable & beneficial for AFA’s owner communities | ✓ |
| | Investigate access to other groundfish fisheries | Ongoing |
| | Develop a plan to finance the acquisition of additional turbot quota | Ongoing |
| Governance | Finalize & implement Benefits Policy | Delayed in 2021 due to health and safety concerns associated with the |
| | Approve & implement Engagement Strategy | |
| | Approve & implement updated Governance Plan | |

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| | | ongoing COVID-19 pandemic. Progress anticipated in 2022/23. |
| | Complete purchase of new vessel as part of Strategic Plan | Ongoing |
| | Annual election of Chairperson of the Board of Directors and Secretary-Treasurer | Delayed in 2021 due to health and safety concerns associated with the ongoing COVID-19 pandemic. AGM anticipated to be held in 2022/23. |
| | Pass Board resolutions to direct management with major corporate decisions | ✓ |
| | Hold an Annual General Meeting and Board meetings on a quarterly basis | AGM delayed in 2021 due to health and safety concerns associated with the ongoing COVID-19 pandemic. Board meetings held via teleconference. AGM anticipated to be held in 2022/23. |
| | Provide new Board members & Trustees with an onboarding package in advance of the AGM | Delayed in 2021 due to health and safety concerns associated with the ongoing COVID-19 pandemic. AGM anticipated to be held in 2022/23. |
| Financial and Investment | 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 | ✓ |
| | Purchase or build a new head office space in Qikiqtarjuaq | ✓ |
| | Seek financing for the acquisition of additional quotas | Ongoing |
| Employment and Benefits | 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 (CLOs) | Delayed in 2021 due to vacant DCR position. DCR and vacant CLO positions to be filled in 2022/23. |
| | Hire a suitable Director of Community Relations (DCR) | Delayed in 2021 due to health and safety concerns associated with the ongoing COVID-19 pandemic precluding management visits to communities for recruitment and interviews. DCR position to be filled in 2022/23. |
| | Resume monthly meetings of DCR, Community Development Officer (CDO) and CLOs | Delayed in 2021 due to vacant DCR position. DCR and vacant CLO positions to be filled in 2022/23. |
| | Acquire or build a new Qikiqtarjuaq office space | ✓ |
| | Continue to follow the Inuit Training Plan | Delayed due to continued impacts of the COVID-19 pandemic in 2021. Progress expected in 2022/23. |

AFA's commitments for 2022 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, forcing AFA to focus on the survival of the business and to deprioritize and postpone many of its previous commitments. In 2021, AFA had an outstanding year operationally and financially. This was in part due to AFA adapting to the ever-changing impacts of the still ongoing COVID-19 pandemic, slightly lower operating costs, and market prices that returned to comparable levels as seen in previous years. In 2021, AFA was able to make some progress on a few of its stated commitments, however, progress continued to be impacted by the ongoing

COVID-19 pandemic (e.g., Omicron variant outbreak). AFA is hopeful that the balance of 2022 and 2023 will represent a “return to normal”, so that can prioritize pursuing its commitments with fewer external challenges.

Table 2. AFA's commitments for 2022 with associated timelines.

| Section | Commitment | Timeline |
|---------------------------------|---|---|
| Stewardship | Harvest turbot using exclusively fixed gear | Ongoing |
| | Acquire a new vessel to harvest turbot that is an industry leader in sustainable design and technology | 2022 |
| | 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 |
| Business | Acquire a new, sustainable vessel that uses innovative fixed gear and processing technology and use it to harvest AFA's entire turbot quota | 2022 |
| | Focus harvesting all of the current turbot allocations using the F/V Suvak (short term) and a new efficient, innovative, and ecologically friendly vessel | 2022 or 2023 |
| | Once the F/V Kiviug I is retired, purchase of a replacement vessel or reassign and upgrade the F/V Suvak to fulltime workboat for research and community supply delivery. | 2023 |
| | 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 |
| | | |
| Governance | Finalize & implement Benefits Policy | By AGM, anticipated to occur in fall of 2022 or early 2023 |
| | Approve & implement Engagement Strategy | |
| | Approve & implement updated Governance Plan | |
| | Complete purchase of new vessel as part of Strategic Plan | 2022 |
| | Annual election of Chairperson of the Board of Directors and Secretary-Treasurer | By AGM, anticipated to occur in fall of 2022 or early 2023 |
| | Pass Board resolutions to direct management with major corporate decisions | Ongoing |
| | Hold an Annual General Meeting and Board meetings on a quarterly basis | AGM, anticipated to occur in fall of 2022 or early 2023; Board meetings ongoing |
| | Provide new Board members & Trustees with an onboarding package in advance of the AGM | By AGM, anticipated to occur in fall of 2022 or early 2023 |
| Financial and Investment | Purchase of a new state-of-the-art fishing vessel | 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 |
| | Seek financing for the acquisition of additional quotas | Ongoing |
| Employment and Benefits | 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 CLOs | 2022 and 2023 |
| | Hire a suitable DCR | 2022 and 2023 |
| | Resume monthly meetings of DCR, CDO and CLOs | 2022 and 2023 (once DCR position is filled) |
| | Acquire or build a new Qikiqtarjuaq office space | Completed in 2021 |

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| | Continue to follow the Inuit Training Plan | Ongoing |
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