



**ANNUAL INFORMATION FORM (AIF)
FOR 2005**

(All amounts are in Canadian Dollars unless otherwise expressed)

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Unless the context otherwise requires, references in this Annual Information Form to the “Company” or “High Liner Foods” include High Liner Foods Incorporated and its subsidiaries.

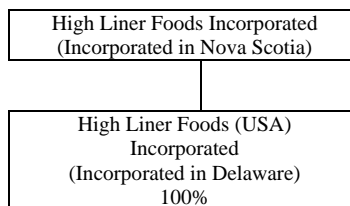
1. CORPORATE STRUCTURE

1.1 Name and Incorporation

High Liner Foods Incorporated is a Nova Scotia company, amalgamated under the Companies Act of Nova Scotia. Our 107-year history began in 1899 with the founding of W.C. Smith & Company Limited, a ships' chandlery and salt fish operation located in Lunenburg, Nova Scotia. In 1926, the same group of shareholders diversified into fresh fish and cold storage and formed Lunenburg Sea Products Limited. In 1938, these two companies merged, and in 1945 the merged companies, along with Maritime National Fish Company Limited of Halifax, and other related companies, were brought together under the ownership of National Sea Products Limited. The present company was formed by amalgamation of the related companies in 1967. On December 31, 1998, we changed our name to High Liner Foods Incorporated. High Liner Foods' registered and principal office is at 100 Battery Point, Lunenburg County, Nova Scotia, B0J 2C0.

1.2 Intercorporate Relationships

Our business is carried on through a parent company, High Liner Foods Incorporated, and one operating incorporated subsidiary, High Liner Foods (USA) Incorporated.



Our Canadian retail and food service businesses are headquartered in Toronto, Ontario, with regional sales offices in Calgary, Montreal and Halifax. We sold our Nova Scotia-based Fishing division in 2003, and the remainder our Newfoundland-based fishing assets in October 2004, completing our exit from the fishing business.

High Liner Foods (USA) Incorporated, headquartered in Portsmouth, New Hampshire, distributes frozen seafood and pasta products throughout the United States and Mexico and manufactures most of the seafood it sells.

We operate food-processing plants in Lunenburg, Nova Scotia, and Portsmouth, New Hampshire. Until December 31, 2004 we operated a pasta processing plant in leased premises in Secaucus, New Jersey. Logistics and distribution are managed from Lunenburg, Nova Scotia and Portsmouth, New Hampshire.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Corporate Profile

In 2003 and 2004, our financial information was segmented between two distinct businesses, Packaged Foods and Fishing and by geographical region. Both the Canadian and U.S. companies operated in the Packaged Foods segment but only the Canadian company operated in the Fishing segment. The last part of the Fishing division was sold in 2004.

High Liner Foods Incorporated (HLF-TSX) has been a Canadian publicly traded company since 1967. We process and market superior quality seafood, frozen pasta, and other food products in North America. Our expertise is frozen food. We produce and market products for the retail, food service, and club store channels. We own strong retail brands, but we are also an important supplier of private labels for many North American food retailers and food service operators. Created in 1926, the *High Liner*[®] brand is among the most recognized brands in Canada.

2.2 Three Year History

Packaged Foods Division

During the past three years we have focussed on exiting the fishing business and increasing the sales, profits and market share of our major Packaged Foods brands, *High Liner*[®] and *Fisher Boy*[®]. In 2004 we completed our exit from the fishing business. Increasing market share for our brands has been a challenge, primarily due to an increase in market share for private label products in the food industry. However, we have benefited from the growth in private label, particularly in our U.S. subsidiary. High Liner continues to dominate the Canadian retail frozen seafood category and has strong regional positions in the United States. Our *Gina Italian Village*[®] brand frozen pasta is the number two brand nationally in the United States and the number one brand in its core markets in the north eastern United States.

We support our brands by consumer research to determine what food products appeal to shoppers. We then focus product development to deliver on these expectations. A good example of this strategy is the *High Liner Signature*[™] line of products. Based on research suggesting that Canadian shoppers want taste, convenience, quality, and nutrition in their food choices, we modified our product development and marketing strategies. “*Signature*” products are premium quality, family-sized products that we have now marketed for eight years. They are leading our growth in Canada with increased sales year over year. These products have been so successful that we introduced similar products under the *High Liner*[®] brand to US club stores in 2001. U.S. club store shoppers are generally above-average income earners who prefer high quality, healthful products. Our products meet their expectations. In 2005 we expanded our offering of up-scale products by introducing the *High Liner Captain’s Cut*[™] line of premium seafood products to traditional grocery stores in the United States.

To address preferences for healthier products, we have eliminated all trans fats used in cooking our coated seafood products in our *High Liner*[®] and *Fisher Boy*[®] brands, one of the first seafood companies to do this in both Canada and the United States.

Canadian Retail has also introduced new products into the seafood departments of Canadian grocery stores. These products are not breaded or battered. This increases our brand presence in grocery stores to two departments: the frozen food aisles and the seafood department.

In 1998 we purchased the *Gina Italian Village*[®] and *Floresta*[®] brands of frozen unsauced stuffed pasta. *Gina Italian Village* is the market-leading brand in New York, the most important market in the USA for this category of product. *Gina Italian Village* and *Floresta* together are the number two brand nationally after The Hain Celestial Group, Inc.'s *Rosetto*[™]. Our pasta business has suffered since the acquisition due to several factors, primarily the recent popularity of low carbohydrate diets. Also, the category is populated with smaller manufacturers, and the lack of a market leader has hindered category growth. At the same time, we have narrowed our strategic focus to concentrate on the opportunities we see in the seafood category. Our commitment to the pasta business is under review. Due to recent poor results of our US operations, including the pasta business, a write down of the goodwill, which arose on the purchase of Italian Village, was required in the fourth quarter of 2005. There is no additional goodwill recorded on our balance sheet. The details of this event are included in our 2005 Financial Statements and Management Discussion & Analysis, included in our 2005 Annual Report to Shareholders, filed on SEDAR concurrently with this AIF.

Fishing Division

High Liner's growth strategy is firmly based on its expertise as a producer and marketer of frozen Packaged Foods. Several years ago, we concluded that vertical integration from harvest to table is not important to our strategy, and therefore we disposed of our Fishing Division in two transactions. The proceeds from these dispositions and the resulting benefits of discontinuing capital intensive and unprofitable harvesting operations have significantly strengthened our financial position.

Section 3.7 explains the sales of the assets and operations related to our former harvesting and primary processing operations.

2.3 Business Strategy

Our vision is to be the leader in value-added frozen seafood in North America. Our mission is to bring value to our retail, food service and club store customers by being committed to the development and delivery of high-quality and innovative seafood products, and by providing them with superior service levels. By partnering with our customers and suppliers, developing our brands, achieving operational excellence, and providing leadership in the seafood category, we will increase shareholder value.

Our products must meet our rigorous criteria: good value, high quality, nutritious and convenient for North American consumers. In the retail sector, to appeal to consumers, products must be ready to eat from the freezer to table in less than twenty minutes. An important part of the Company's strategy is to focus on quality. We consistently strive to improve products to maintain and improve our market leadership positions. Quality of customer service, including setting objectives for continuity of supply and on-time delivery, are also key elements in our strategy.

Our private label business is growing, which is evidence of an increase in consumer acceptance and market share of private label seafood products and our strength in this part of the market.

2.4 **Growth Strategy**

High Liner Foods will pursue growth in three areas:

- a) ***Growth in Core Markets:*** We plan to continue to grow our seafood businesses in both Canada and the United States in traditional retail, club and food service channels. New product introductions as well as our strategy to be the supplier of choice for consolidating customers are an integral part of this strategy. Gaining additional sales volume through U.S. grocery stores for our new *High Liner*[®] products is also key to achieving growth targets.
- b) ***Expansion into New Markets:*** We market seafood products in Mexico under the *Fisher Boy*[®] and *High Liner*[®] brands, and we are a leading seafood supplier to the retail market in Mexico City. We have expanded distribution to club stores in Mexico and Puerto Rico. As well, we have increased distribution for the *High Liner*[®] brand beyond its traditional Canadian market in the U.S. club store channel.
- c) ***Acquisition of Frozen Food Businesses:*** Although organic growth is our major focus, our strength in the retail frozen food business in North America is an opportunity to acquire other seafood businesses. Our strengths in management, customer relations, United States' experience, new product development expertise, state of the art business systems, marketing, and frozen food logistics expertise, all provide the necessary infrastructure and skills to market, sell and distribute frozen seafood throughout North America.

3. **THE BUSINESS**

3.1 **Product Marketing**

High Liner Foods is one of North America's largest marketers of prepared and packaged frozen seafood. We sell products, both directly and through distributors, to North American retail stores, club stores, hotels, restaurants and institutions. In Canada, we

market the majority of seafood products under the *High Liner*[®] trademark, and in the United States and Mexico under the *Fisher Boy*[®] and *High Liner*[®] trademarks. High Liner Foods produces private label seafood for retailers and food service distributors throughout North America. We sell frozen pasta products to retail stores throughout most of the United States, mostly under the *Gina Italian Village*[®] and *Floresta*[®] trademarks.

High Liner Foods markets a diverse range of frozen products under a variety of trademarks and species, including raw fillets and shellfish, sauced, breaded and battered seafood, breaded cheese sticks, entrees, unsauced stuffed pasta and breaded chicken.

Trademarks and Brand Names:

Canada

Captain High Liner[®]
 High Liner[®]
 High Liner Foods[®]
 Healthy Bake[®] / Cuisson Santé[®]
 Captain's Table[®]
 Healthy Catch[®]
 Captain's Catch[®] / La Prise du Capitaine[®]
 Light Tonight[®] / Souper Léger[®]
 Captain's Fish 'n Fries[®] / Croque-Capitaine[®]
 Seafresh[®]
 Captain's Chicken[®] / Poulet du Capitaine[®]
 Captain Burger[®] / Burger du Capitaine[®]
 Captain's Grill[™] / Grillades Capitaine[™]
 Krunchies[®]
 Fastbreak[®] / Rapidelice[®]
 Italian Village[®]
 High Liner Signature[™]
 It's A Good Night for Fish[®]
 Always a Great Catch[®] / Toujours une bonne prise[®]
 OnLiner[®]
 Steamfresh[™]
 Eating Healthy Never Tasted So Good[™]
 Manger sainement n'a jamais eu aussi bon gout!
 40 Fathoms[®]

United States

Fisher Boy[®]
 Fisher Boy A Great Catch![®]
 Booth[®]
 High Liner[®]
 QWIK STIX[®]
 Gina Italian Village[®]
 Floresta[®]
 Villa Prima[®]
 Hi-Flyin' Foods[™]
 Café Appetita[™]
 Fun Bucket[®]
 3 in 1 Seafood Fun Bucket[®]
 3 in 1 Family Fun Bucket[®]
 It's a Good Night for Fish[®]
 40 Fathoms[®]
 Captain's Cut[™]
 Seafood is Smart Food[™]
 Seafresh[®]

Mexico

Fisher Boy[®]
 RapiBarritas[®]
 RapiCocinados[®]
 PescAritos[™]

Sales revenues from operating segments that accounted for 15% or more of total consolidated sales revenues, excluding discontinued operations, in either of the last two fiscal years were:

	<u>2005</u>	<u>2004</u>
Canada	54.6%	50.8%
United States	45.4%	49.2%

Approximately 20% of the Company's 2005 total sales were private label products produced for a variety of retail grocery chains and food service distributors throughout

North America. Private labels are products produced under the customer's logo or label to their specifications. Although relationships with these customers have been substantially long term in nature, the loss of a significant private label customer might adversely affect the Company's results. Management is not aware of any fact or circumstance that would lead to an imminent loss of significant private label business. The trend in our private label business is for growth as consumers purchase proportionately more private label seafood over branded products in the breaded and battered segment of the category. A significant number of customers buy both branded and private label products from the Company.

United States

The United States' retail frozen food market had consumer sales of US\$28.1 billion in 2005¹. Sales of frozen seafood were US\$1.7 billion in 2005¹ an increase of 7.8% over the previous year¹. The frozen seafood market can be divided into the breaded and battered segment, the prepared segment and the raw segment. High Liner competes principally in the breaded and battered segment in the United States. Growth is occurring in the prepared segment and the raw segment, the latter attributable in large part to the demand for private label commodity shrimp. Our new *High Liner Captain's Cut*TM products launched in 2005 leverage our seafood strengths into the emerging prepared segment.

The total U.S. frozen Italian-style stuffed pasta market represented sales of US\$153.2 million for 2005¹, a decrease of less than 1% compared to a year ago¹. With The Hain Celestial Group, Inc. purchasing the *Rosetto*TM brand from Heinz in 2004, there is now an effective market leader who is promoting the category. Also, the popularity of low carbohydrate diets is waning and consumers are eating more pasta.

The U.S. subsidiary markets a full range of breaded and battered fish sticks and portions under the *Fisher Boy*[®] brand. The U.S. subsidiary also produces a wide variety of breaded and battered seafood products sold as retail private label brands in United States' supermarkets. In 2005, approximately 40% of our U.S. dollar seafood sales to the retail frozen food market were private label products. Today, most retailers carry a national brand, a store brand (private label), and usually a third brand if it is differentiated from the national brand. Our strategy for *Fisher Boy* is to differentiate ourselves from the competition as a family-friendly, kid-oriented brand. As an example, in 2004 we launched *Fisher Boy Fun Buckets*[®], a bucket of three varieties of food that has been well received and is generating excitement in the category. In 2005 we extended our Fun Buckets line by adding a new flavour profile.

We have been developing a business in the United States under the *High Liner* brand in the growing prepared segment. These products have restaurant quality sauces instead of breading or batter coatings. Products carried by Wal-Mart[®] are succeeding and we will be expanding that business in 2006. The launch of *High Liner Captain's Cut* is another entry into this more upscale part of the U.S. seafood market. The U.S. division is also responsible for the U.S. club store initiative, marketing a full line of seafood products

¹ According to ACNielsen[®], and not including Wal-Mart as it does not release data.

under the *High Liner*[®] brand, including a new and increasingly popular specie, tilapia, which we began selling in 2005.

Our U.S. subsidiary is also a leading seafood supplier to Mexico, where it markets products under the *Fisher Boy*[®] and *High Liner*[®] brands and co-packs for other distributors.

The U.S. subsidiary also markets frozen unsauced pasta products, such as ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli, to the United States' retail markets under the trademarks *Gina Italian Village*[®], and *Floresta*[®].

Canada

Consumer sales in the Canadian retail frozen food market were \$4.67 billion in 2005, an increase of 5% over 2004². Frozen seafood including shellfish, the 2nd largest category, accounted for consumer sales of \$576.4 million in 2005, an increase of 7% over 2004.

Our Canadian Packaged Foods division markets a full range of frozen fish fillets, breaded and battered fish sticks and portions, and premium sauced fillets under the *High Liner*[®] brand. These products are sold through both retail and food service channels. The food service business supplies products to restaurants and cafeterias, as well as other institutions. The Canadian Packaged Foods division also produces a wide variety of seafood products sold as retail private label brands in Canadian supermarkets and to food service distributors. In 2005, approximately 7% of the Company's Canadian seafood sales were from private label products.

High Liner Foods launched frozen stuffed pasta under the *Italian Village*[®] brand in the key Ontario market in 2002 and expanded distribution to Western Canada in 2003. Our pasta business in Canada was discontinued in late 2005.

3.2 Production Facilities

The following chart describes High Liner's major production facilities:

LOCATION	TYPE OF PRODUCTION	ANNUAL CAPACITY ⁽¹⁾ Metric Tonnes (MT)	CAPACITY UTILIZATION
Lunenburg NS	<i>Prepared Seafood</i>	18,150	75%
Portsmouth NH	<i>Prepared Seafood</i>	29,500	75%

(1) Based on the production of finished pounds, on two shifts for 5 days per week.

All food processing plants conducting business throughout North America require a combination of State or Provincial and Federal licenses to operate. Requirements to obtain and maintain food-processing licenses principally relate to food safety and quality,

² According to ACNielsen[®].

transportation of food and labeling. High Liner Foods possesses all necessary licenses and approvals to operate.

The United States requires its seafood processing plants to adopt a quality management plan known as HACCP (Hazard Analysis of Critical Control Points). Our seafood processing plant in Portsmouth, New Hampshire always passes the regulatory HACCP audit.

In Canada all seafood-processing plants are required to adopt a Quality Management Plan (QMP) covering the regulatory and safety aspects of food processing. High Liner's QMP has been approved and in good standing since inception of this requirement. Canada's QMP is an accepted standard under the U.S. HACCP system.

All of the Company's non-North American suppliers are HACCP approved plants. The Company also maintains internal quality specifications that in many respects exceed HACCP or QMP requirements. Suppliers are required to adhere to our internal specifications and we regularly audit for compliance. High Liner has established a representative office in Qingdao, China, and employs procurement and quality control experts to oversee our procurement activities in Asia.

3.3 Competitive Conditions

High Liner Foods faces competition from other frozen food processors, including those that have larger sales and marketing organizations and greater financial resources than the Company. In North America, High Liner Foods competes in many markets, each with diverse and unique characteristics.

Our major competitors in the retail seafood market are national marketers of brand name and generic products, including Nippon Suisan (owning *Gorton's*[®] brand in the U.S. and *BlueWater*[®] in Canada), National Fish and Seafood Incorporated (U.S.), Pinnacle Foods Corporation (owning the *Mrs. Paul's*[®] and *Van de Kamp*[®] brands in the U.S.), Jane's Family Foods Ltd. (Canada), Fishery Products International Limited (Canada and U.S.) and Aquastar. U.S. competitors in frozen unsauced pasta are The Hain Celestial Group, Inc. (*Rosetto*[®] brand), *Celentano*[™], and many other smaller brands. Private label products also compete with our brands and account for as much as 35% of the market.

Retail competition in North America is very intense. In the retail market, price, convenience, nutrition, value, consumer brand recognition and loyalty are the primary competitive factors. *High Liner*[®] in Canada enjoys extremely high consumer brand recognition, and *Fisher Boy*[®] and *Gina Italian Village*[®] have strong regional brand awareness in the U.S.

Our major competitors in the food service market consist of vertically integrated fishing companies, food processing companies and seafood traders. Competitors include Fishery Products International Limited, Clearwater Fine Foods Inc., Trident Seafoods Corporation, Toppits Quality Frozen Foods, Export Packers Company Limited, and many

smaller trading companies. In the food service market, continuity of supply, customer service, and price are the major aspects of competition.

In the Canadian retail frozen seafood market, products sold under the *High Liner*[®] trademark enjoy a dominant market share position. According to ACNielsen[®], High Liner held 41.8%³ of the frozen packaged seafood market, for the 52 weeks ended December 24, 2005, up slightly from a year ago. The Company's food service business enjoys a leading market position in the processed seafood category in Canada and enjoys the second largest share of the raw seafood category, according to *DirectLink*[®], for the species we sell. We use advertising and related consumer support activities to create, maintain and strengthen brand loyalty. "*Captain High Liner*" is one of the most recognizable brand icons in Canada.

According to a 2005 frozen food study by ACNielsen[®], seafood is the 2nd largest frozen food category in Canada, and High Liner Foods is the 8th largest frozen food company in Canada.

In the U.S., *Fisher Boy*[®] brand sales are principally fish sticks and for the 52 weeks ended December 24, 2005, *Fisher Boy* held 13.6%⁴ of the United States' national consumption for fish sticks and similar products, down 3.1 share points from 2004. Market share for the *Fisher Boy* and *High Liner* brands of the total frozen seafood category in the United States is 2.6%⁵ for the same 52-week period, down from 2004, partly due to the continued popularity and rapid growth of the unbranded frozen unprocessed shrimp segment. *Fisher Boy* is the leading brand of breaded fish sticks at the world's largest retailer, Wal-Mart[®]. *Fisher Boy* is a leading brand in Mexico City. Fisher Boy has recently lost distribution outside of its core markets reducing the percent of stores carrying our products from approximately 50% to 24%. This volume reduction has negatively affected profitability of our U.S. operations.

Gina Italian Village[®] pasta products enjoy a dominant market position in several U.S. cities, most notably New York City and Philadelphia. *Gina Italian Village*[®] is the number two brand nationally in the U.S. *Gina Italian Village*[®] and *Floresta*[®] together account for 10.0%⁶ of the United States' market for frozen unsauced pasta for the 52 weeks ending December 24, 2005, a decrease of 1.0 share points from the prior year.

³ Market share is estimated by ACNielsen[®] which tracks all Canadian basic grocery banner stores, excluding club stores/warehouses, and is measured in pounds. The category reported here is total frozen fish, which excludes all shellfish and entrees.

⁴ Market share is estimated by ACNielsen[®] which tracks all grocery stores with sales of US\$2.0 million or more and is measured in pounds. The category reported here are fish sticks and similar products only.

⁵ Market share is estimated by ACNielsen[®] which tracks all grocery stores with sales of US\$2.0 million or more and is measured in pounds. The category reported here is for all types of frozen seafood including fish and shellfish, whether breaded or unbreaded, but excludes seafood entrees.

⁶ Market share is estimated by ACNielsen[®] which tracks all grocery stores in the United States with sales of US\$2.0 million or more and is measured in pounds. The frozen pasta category reported here is frozen unsauced pasta, which includes ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli but excludes perrogies, frozen egg noodles and pasta entrees.

This share rises to 27.8%⁷ and the leadership position of the New York market for the same period.

3.4 Components – Procurement of Raw Materials and Finished Goods

General

High Liner is dependent on its seafood procurement activities. We continue to increase procurement of commodity seafood products, either as raw material or finished goods, and expect to purchase over \$100 million of these products in 2006. We purchase frozen raw material and finished goods originating from Russia, Asia, South America, North America, and Europe. Of the seafood we procure, approximately 70% is processed in Asia, from wild species harvested in the North Atlantic and Pacific Oceans.

We have a stringent supplier selection process, and monitor and test products for quality. As mentioned in section 3.2 above, all of the Company's suppliers are HACCP approved plants, regardless of geographic location. We perform supplier audits to ensure the products they produce meet or exceed requirements set by the Canadian and United States food inspection agencies and our own product specifications. In many cases, our own specifications exceed regulatory requirements. When product is received in either Canada or the United States, the respective food inspection agencies also perform independent testing of our products before they are approved for use in production.

We also have established a foreign representative office in Qingdao, China, and employ procurement and quality control experts to oversee our procurement activities in Asia.

We do not have significant long-term contracts to purchase raw seafood. There are no futures markets for seafood where forward purchases can be hedged. Our strategy is to build long-term relationships with seafood suppliers and most of our existing suppliers have worked with us for many years. We enter into agreements of up to one year in duration with these suppliers. These agreements can cover both price and quantity, but often provide for quantities only, with price determined by the market at the time of shipment or on a quarterly basis. Most purchases are in U.S. dollars. From time to time, depending upon market conditions, we take inventory positions to ensure that we have sufficient raw materials at acceptable costs.

Global demand for fish and seafood continues to grow. The catch of wild fish has stabilized at around 90 million tonnes, which represents approximately 70% of the total supply, while aquaculture continues to increase – see Exhibit 1. Exhibit 2 indicates catches of the 10 most important wild groundfish species, as reported by the FAO⁸ in 2005, along with estimates of panelists delivered at the 2005 Groundfish Forum, an industry group that meets once a year to discuss the world seafood industry. Sustainability is now an important aspect of fisheries management for most developed

⁷ Same as 8, except for New York City only.

⁸ Food & Agriculture Organization of the United Nations

countries, and some of the lower catch levels are attributable to increased regulation and industry conservation measures aimed at protecting fish stocks for the long term.

The total supply of seafood continues to increase because of significant increases in aquaculture. Globally, there has been considerable development of the aquaculture industry both in finfish and mollusk species. This trend is expected to continue. We currently procure aquaculture products, including Atlantic salmon, tilapia, basa, mussels, and warm water shrimp. The Company launched tilapia in late 2004 and expanded sales in 2005 to U.S. club stores. Tilapia is a relatively new species in North America, however it is already one of the top 10 most popular fish species consumed in the United States. It is a white fish that is farmed in fresh water and appeals to consumers due to its delicate flavour and texture. In late 2006 we plan to sell Basa, another farmed specie. Procurement of aquaculture products will continue in 2006 as we continue to expand tilapia sales and continue to investigate the feasibility and profitability of using more aquaculture species. We are in the process of hiring an additional procurement person with aquaculture expertise to assist us in developing our use of aquaculture products.

The Company purchases most of its shrimp products – the vast majority of which are from aquaculture – from Asia, including a significant portion of its value-added products, with prices based in U.S. currency.

Despite procuring aquaculture products, the vast majority of our seafood product sales are from fish from the wild, including salmon where more than 90% of our salmon sales are of wild pacific salmon.

For a detailed description of the risk associated with currency and interest rate fluctuations in relation to procurement of raw materials, refer to the Management Discussion & Analysis in the Company’s 2005 Annual Report.

Exhibit 1

**Global Overview: Total Catches
Aquaculture vs. Wild Catches**

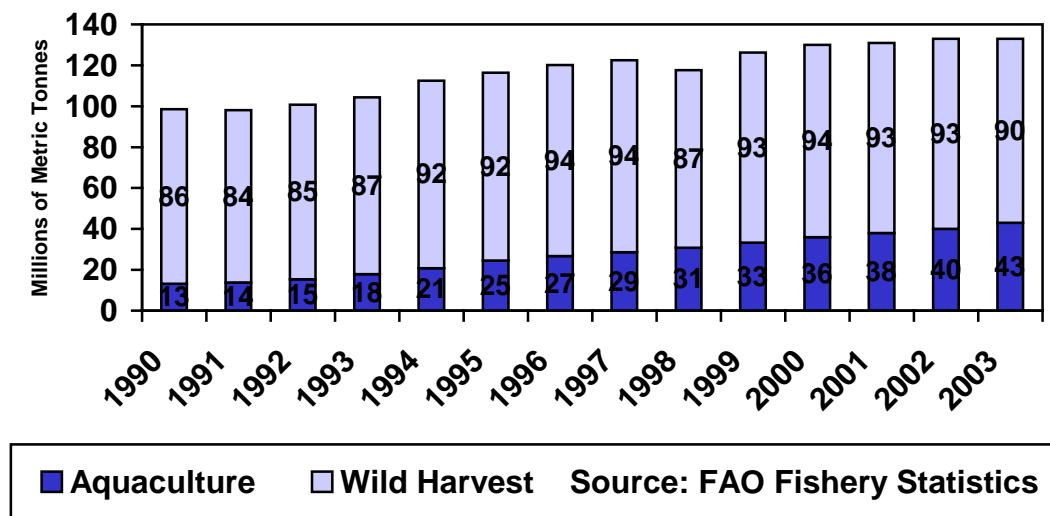
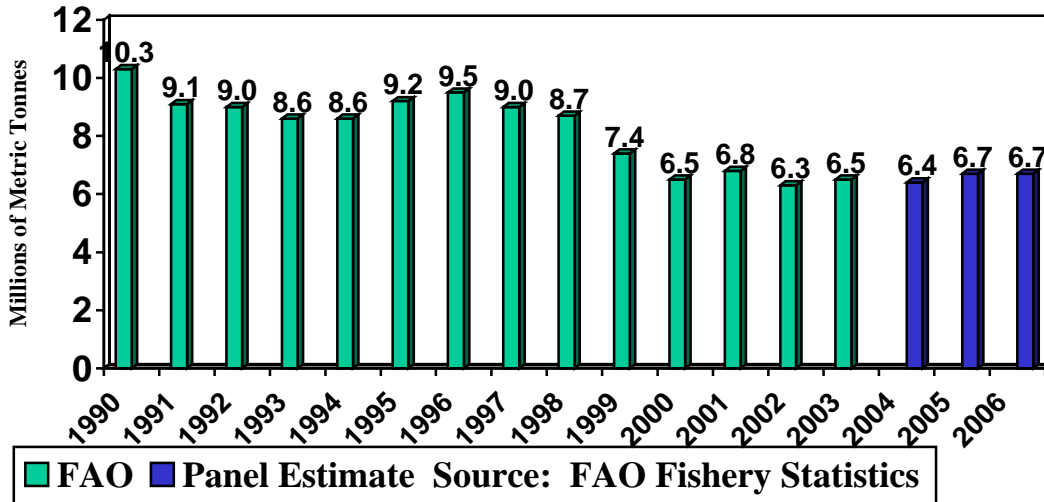


Exhibit 2

**Global Groundfish Summary
10 Major Species**



Species included are: Alaskan pollock, Atlantic cod, Pacific cod, haddock, saithe, redfish, Cape hake, South American hake, North Pacific hake, and hoki.

3.5 Seasonality

High Liner’s operating results by quarter fluctuate throughout the year. A detailed discussion as to how seasonality affects the company’s operations can be found in the MD&A on page 24 of the Company’s 2005 Annual Report.

A summary of sales, income from operations, and net income for both total and on a per-share basis, for the eight most recently completed quarters ending December 31, 2005, is provided at page 56 of the Company’s 2005 Annual Report.

3.6 Employees

At December 31, 2005, the operations of High Liner Foods involve 680 active permanent employees split as follows.

	Total
Salary	259
Hourly	421
Total	680

High Liner Foods has 269 unionized employees in Canada who are represented by the Canadian Auto Workers union. The expiry date of the current collective agreement is

December 31, 2008. We believe we have good relations with our unionized employees and anticipate no disruptions in operations in 2006.

3.7 Disposal of Fishing Division, Non-Operating Transactions and Effect of Strengthening Canadian Dollar

The Company has seen a significant change in its sales, operating EBITDA, net income and earnings per share over the past four years as a result of exiting the primary harvesting and processing businesses and changes in the Canada / USA currency exchange rate.

In 2002, the Company closed its primary processing plant located in Lunenburg, N.S., making room for expansion of the valued-added operation contained in the same building. The closure was deemed necessary as the small amount of fish then landed by the Company's fleet could be processed more efficiently at smaller, independently owned processing plants in the area. The sale of some groundfish quota and the write down of assets resulted in a \$3.0 million gain, which offset severance and other costs incurred of \$3.4 million. Operating income increased by approximately \$1.5 million annually by closing this facility.

In 2003, the remainder of the Nova Scotia fishing business, consisting of Atlantic groundfish and scallop quotas along with related vessels and equipment, were sold at a profit. The sale resulted in gross proceeds of \$65.4 million and an after-tax gain of \$43.7 million. Overall consolidated sales were reduced due to discontinued sales associated with these fishing assets. The capital assets of the Fishing division in Newfoundland were contemporaneously written down, resulting in an after-tax charge of \$3.8 million. As the Company continued in the fishing business in Newfoundland, Canadian Generally Accepted Accounting Principles (GAAP) dictated that the disposal of the Nova Scotia assets should not be characterized as discontinued operations. We also incurred debt settlement costs of \$1.9 million, after tax, on the early repayment of long-term debt, using proceeds from the sale. After-tax costs of \$0.8 million in connection with a potential acquisition that was not completed were also expensed in 2003. The sale of the fishing assets resulted in favourable tax treatment as a large portion of the gain was capital in nature and we were able to use unrecorded capital loss carry forwards. The after-tax gain for these non-operating transactions in 2003 was \$37.2 million, or \$3.74 per share.

In 2004, the Newfoundland fishing division assets were transferred to local management and a loss was recorded for severance and other costs on the disposal. As these were the last assets of our fishing division, this operation was reclassified as a discontinued operation according to GAAP. We received nominal cash consideration as proceeds for the fixed assets, which were written down to zero in 2003. As a result of this transaction, we recorded a one-time after-tax charge in discontinued operations in the fourth quarter of 2004 of \$1.2 million. In 2004 we recorded an after-tax gain of \$0.6 million from the reversal of over-accrued costs recorded in 2003 on the disposal of our Nova Scotia-based fishing assets.

In 2005 we recorded an after-tax write down of the goodwill that was recognized on the acquisition of Italian Village in 1998. The full amount of goodwill of \$41.2 million was expensed in the fourth quarter of 2005. In addition, an income tax valuation reserve was set up in our U.S. subsidiary resulting in an increased income tax expense.

Over the period 2002 to 2005 the average annual Canada/ USA exchange rate decreased (Canadian dollar strengthened) from 1.5709 to 1.2122. The year-end rate increased from a high of 1.5956 at the end of 2001 to 1.1659 at the end of 2005, a 27% increase in the value of the Canadian dollar. This had a significant impact on the conversion of US dollar balance sheet and income statement items to Canadian dollars. It had the effect of reducing our reported sales, assets, liabilities and other line items in the income statement. However it lowered the cost of raw materials for products sold in Canada, as these are purchased in US dollars. This benefit was short lived, however, as the U.S. dollar denominated price of this raw material increased by more than the cumulative strengthening of the Canadian dollar in 2005.

The following table depicts sales as they were reported in historical annual reports, before the Newfoundland assets were classified as discontinued operations, and shows the reduction for each disposition of the fishing division. The final Packaged Foods sales for our current business are then restated to what they would have been if the annual average exchange rate were equal to the 2005 average rate of 1.2122 over the entire 4-year history.

High Liner Foods Inc.				
Sales In \$000's - By Component				
	2005	2004	2003	2002
Total Sales previously reported	\$ 260,433	\$ 288,262	\$ 315,879	\$ 324,458
Less Discontinued Operations		\$ (18,768)	\$ (22,626)	\$ (26,179)
Sales From Continuing Operations	\$ 260,433	\$ 269,494	\$ 293,253	\$ 298,279
Less NS Fishing Assets		\$ -	\$ (10,523)	\$ (31,598)
Packaged Foods Sales	\$ 260,433	\$ 269,494	\$ 282,730	\$ 266,681
Less FX effect at 1.2122	\$ -	\$ (9,227)	\$ (20,172)	\$ (31,916)
	\$ 260,433	\$ 260,267	\$ 262,558	\$ 234,765
Year over year growth excluding fx effects	0.1%	-0.9%	11.8%	11.9%
Actual Average USD / CDN exchange rates	\$ 1.2122	\$ 1.3012	\$ 1.4051	\$ 1.5709

The following table shows our Packaged Foods division's after-tax earnings before interest and then depicts the after-tax effect of the exit from the fishing business and resulting capital transactions as well as other non-recurring adjustments to arrive at net income as reported.

High Liner Foods Inc.				
Net Income by Component in \$000's				
	2005	2004	2003	2002
Packaged Foods EBIT	\$ 5,422	\$ 15,160	\$ 17,591	\$ 17,481
Less income taxes	\$ (2,459)	\$ (5,655)	\$ (7,043)	\$ (7,269)
Packaged Foods Net Income	\$ 2,963	\$ 9,505	\$ 10,548	\$ 10,212
Other items after tax				
Unallocated interest	\$ (254)	\$ (213)	\$ (591)	\$ (1,225)
NS Fishing Operations EBIT	\$ -	\$ -	\$ 703	\$ 2,978
Interest on NS Fishing Operations	\$ -	\$ -	\$ (832)	\$ (2,623)
Non-operating asset sales & write-offs	\$ 295	\$ 602	\$ 40,986	\$ 2,155
Discontinued operations (Newfoundland)	\$ -	\$ (3,107)	\$ (5,557)	\$ (32)
Italain Village Litigation Costs	\$ (253)	\$ (189)	\$ (25)	\$ (1,593)
Italian Village non-operating charges	\$ (1,053)	\$ -	\$ -	\$ -
Italian Village Goodwill	\$ (41,231)	\$ -	\$ -	\$ -
Income tax reserve adjustments	\$ (936)	\$ 1,812	\$ 500	
Other income	\$ -	\$ (249)	\$ 73	\$ 116
Net Income	\$ (40,469)	\$ 8,162	\$ 45,804	\$ 9,989

Following are explanations of the “Other items” in the table above.

- Interest is shown outside of operations as the proceeds from the sale of the fishing assets paid down all long-term debt and most of the current debt so that future earnings will have much lower interest costs. An estimated allocation of what interest would be applicable to the fishing operations is made for analysis purposes.
- N.S. Fishing operations represents the earnings before interest and taxes of the operations sold in 2003.
- The non-operating assets sales and write-offs represent the gains and losses related to the disposition of the fishing assets.
- Discontinued operations is as disclosed in the 2005 Financial Statements and represents the loss on operations and disposition costs of the Newfoundland assets.
- Litigation refers to the cost associated with the Italian Village lawsuit (see Notes to the 2005 Financial Statements). This lawsuit was settled in 2005.
- Italian Village non-operating items reflect the one-time costs of shutting down our leased facilities in Secaucus, NJ, and moving to a co-packer and the subsequent move to additional co-packers later in the year.
- The write down of goodwill reflects the impairment write down of the Italian Village goodwill acquired in 1998. It is shown above on a pre-tax basis, as an income tax recovery was not obtained due to uncertainty of using the associated tax deductions.
- Income tax adjustments relate to the adjustment of income tax valuation allowances, excluding those that arose on 2006 transactions as noted above.
- Other income represents various small asset transactions that are not related to operations.

The following table shows earnings per share for the period 2002 to 2005, adjusting for the gains and losses on the sale or closure of fishing assets and discontinued operations, the goodwill write-off and the 2005 income tax valuation allowance. Adjustments have not been made for the other items shown in the above chart.

High Liner Foods Inc.				
Earning per share by component years ended				
	2005	2004	2003	2002
Based on Net Income	\$ (3.93)	\$ 0.66	\$ 4.49	\$ 0.90
Less loss on Discontinued ops	\$ -	\$ 0.28	\$ (0.56)	\$ (0.01)
Based on income from continuing ops	\$ (3.93)	\$ 0.95	\$ 5.05	\$ 0.91
Less (loss) gain on sale of assets and assets writeoff	\$ (3.96)	\$ 0.06	\$ 4.12	\$ 0.22
Based on operating income	\$ 0.03	\$ 0.89	\$ 0.93	\$ 0.69
Average shares outstanding (000)	10,567	10,863	9,945	9,822

3.8 Social and Environmental Policies

The Company's food processing plants are subject to Canadian Federal, Provincial and United States Federal and State legislation with respect to safety and environmental matters. In the United States, state labour laws and the federal Occupational Safety & Health Act (OSHA) regulate how work must be conducted in our Portsmouth plant. In Canada, provincial legislation and Workers Compensation Boards play an active role in monitoring health and safety in our workplaces. Abroad, we engage external consultants who ensure our suppliers meet local requirements and our standards as well. The Company's Board of Directors, until the end of 2005 through the Environment and Safety Committee and now through the Audit Committee, receives quarterly reports on the Company's safety and environmental management, and oversees efforts of the Company to maintain safe and environmentally compliant workplaces.

With respect to environmental protection, we have an Environmental Management Policy designed to ensure that we meet or exceed the requirements of the federal, provincial, state, municipal and local environmental laws and requirements in both Canada and the United States. A risk of environmental impact is inherent in food processing operations, activities associated with such operations, and the ownership, management or control of real estate. However, our Policy and internal management ensures this risk is managed in accordance with diligent practices.

Our plants contain substantial freezing equipment, all of which utilize ammonia systems. Any release of ammonia in the operation of this equipment would result in environmental hazard and remediation requirements, and therefore maintenance of the freezers is a priority. We have a comprehensive emergency response plan in all facilities, and personnel are well trained and, where required, certified in hazardous materials handling.

Each facility has a preventative maintenance program that is monitored and upgraded as required. Currently, the Lunenburg and Portsmouth plants operate Computerized Maintenance Management System, known in the industry as "MP-2". This PC-enabled

program allows our maintenance teams to closely monitor and manage both preventative maintenance and work orders at both facilities.

As part of our Environmental Management Policy, we have an employee Environmental Steering Committee that reports to an Environment & Safety Committee of our Board of Directors. The mandate of the Environment & Safety Committee is:

- a) to review and report to the Board on the Company's compliance with all environmental and safety regulations and laws in the areas where it carries on business;
- b) to assist management in developing action plans to deal with environmental and safety issues; and
- c) to monitor management's progress at rectifying any situations identified as potential risks.

Our environmental protection requirements are integrated into our overall enterprise-wide risk management programs. In 2006, and in the near future years, we anticipate no material impact of such requirements on capital expenditures, earnings and competitive position.

Due to our reliance on global raw material procurement, we have also implemented compliance standards for our suppliers. All suppliers to High Liner are required to accept and comply with our Supplier Approval and Audit Standards. Approval as a supplier requires compliance with all regulatory requirements applicable to High Liner's food products, including HACCP and GMP, and with our own high quality specifications. As well, suppliers must accept our Supplier Code of Conduct, which requires compliance with local laws and ethical business practices. We employ qualified individuals and retain external consultants to audit suppliers for compliance.

4. RISK FACTORS

There is no present risk, trend, commitment, event or uncertainty known to us that we reasonably expect to have a material effect on our business, financial condition or results of operations in 2006 or later years, other than the strengthening of the Canadian dollar and the increase in raw material costs as discussed in the Management Discussion and Analysis accompanying the 2005 Financial Statements, and items below.

There are a number of external factors that might impact operations, either positively or negatively, depending on our execution of our business and growth strategies: (a) industry consolidation, (b) increase in seafood production from Asia, (c) the uncertainty of future global groundfish supply and increased supply of seafood from aquaculture, (d) costs and selling prices for seafood raw materials and finished goods, (e) cost of commodity inputs, and (f) rapid technological change.

(a) Industry Consolidation: Grocery retailers, wholesalers and food processors in North America have consolidated and continue to consolidate. In Canada, 5 major food retailers control in the aggregate more than 86%⁹ of the retail food sales market. In the U.S., retailers are also consolidating. Ten retail operators now control approximately 81%¹⁰ of USA retail grocery sales. Grocery retailers typically charge suppliers listing or “slotting” fees for shelf space on a per product basis for new products, and also require money to support product advertising and promotions. Arising out of these consolidations, particularly in Canada, we have experienced demands from strong retailers for increased listing and promotional incentives. However, as a supplier of Canada’s leading frozen seafood brand, we expect to remain an important supplier to Canadian grocery retailers. We are focusing efforts on brand strength, new products, and superior customer service to ensure we outperform competitors. Consolidation makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. We are in a good position to meet these demands, since we offer quality, popular products under leading brands and have the ability to meet the customer service expectations of the major retailers. Given our brand strategy, customer consolidation is an opportunity for High Liner to grow in step with customer growth.

(b) Increase in seafood production from Asia: Since 1999, various seafood companies, including High Liner, have diverted production of certain products to Asia, and China in particular. Asian processing plants are able to produce many seafood products at a lower cost than is possible in North America and in other more developed countries. These plants are also able to achieve a better yield on raw material due to the use of more manual processes. Land-based seafood primary processing plants in developed countries, such as Norway, Iceland and Canada, are finding it extremely difficult to compete with Asian processors, especially when they compete with them for the raw material on global markets. We anticipated this trend ahead of our competitors. It was part of our rationale for exiting the primary processing and fishing businesses, and the trend allowed us to develop opportunities that are now contributing to our growth strategy. We chose to work closely with selected Asian suppliers to become an important customer. We have made it possible for these suppliers to meet our exacting quality and manufacturing standards and in turn we have access to the variety and volume of raw materials that we need to fulfil our brand strategy.

(c) Global seafood supply and aquaculture: With respect to seafood raw material availability, we anticipate that the global supply of groundfish will not increase significantly over the next few years. Recent predictions delivered at the Groundfish Forum (an annual industry convention of global seafood companies), as illustrated in Exhibit 2 on page 12, indicate stability in aggregate landings of the ten most important groundfish species. We view the increasing effort on a global basis to observe sustainable management practices as a factor in the decrease of supply. Around the world, there is increased government response to the need to responsibly manage groundfish resources. These responses are driven by international legislation originating

⁹ Market share is estimated by ACNielsen®

¹⁰ According to “2006 Marketing Handbook”, published by Trade Dimensions International, Inc.

from the Food & Agriculture Organization of the United Nations (“FAO”). Overall, seafood available for human consumption continues to increase because of significant increases in aquaculture, as illustrated in Exhibit 1 on page 11.

We can manage the uncertainties of seafood supply and cost to some degree by adjusting product lines, and substituting species in certain products. We launched our first food service product from aquaculture in 2002, introduced additional choices in 2003 to 2005, and used aquaculture species for our U.S. *High Liner Captain’s Cut*TM launch. We continue to investigate the feasibility of using aquaculture raw materials for other products.

Procurement issues and trends are discussed in more detail in Section 3.4 of this document and under the section entitled “Risk Management” in the Management Discussion & Analysis in the Company’s 2005 Annual Report.

(d) Costs and selling prices for seafood raw materials and finished goods: The increase in aquaculture products has displaced significant volumes of wild-caught fish in fresh fish counters, which has had the effect of reducing the prices of wild-caught products. By far the majority of our products are derived from wild species. The increase in aquaculture has a stabilizing effect on historically volatile raw material and commodity prices. At the same time, demographic and environmental trends are increasing the demand for seafood. North American consumers are increasingly more health conscious, and seafood is considered a healthy food choice. As well, the emergence of BSE (mad cow disease) and the recent Avian flu affects the popularity of other protein food choices, and increases the demand for seafood. The demand increases sales but also increases raw material costs.

We expect the US dollar cost of procured seafood raw material and finished goods in 2006 to increase approximately 8.4% relative to 2005. This is on top of seafood prices increasing 9.7 % in 2005 over 2004. These increases have been partly offset by a strengthening Canadian dollar of 6.8% in 2005 over 2004 and 7.4% in 2004 over 2003. We expect our average product cost in 2006 to increase by approximately 3% over 2005 due to these higher US dollar prices being partly offset by the stronger Canadian dollar. Product costs increased by 6% in 2005 over 2004 after the effect of the strong Canadian dollar. Increased selling prices in 2005 and 2006 for most of our products will help offset the higher cost.

(e) Costs of commodity products: High Liner has significant exposure to commodity prices of items other than seafood, including paper, flour, cooking oil and fuel oil. In terms of paper, we procure boxboard and corrugated material for packaging. We procure flour-based breaders and batters for our value-added coated seafood products and pasta. We also use cooking oil in some of our products. To minimize the risk of commodity cost changes for these items, we first negotiate fixed price contracts with our suppliers. Going into 2006, we have fixed price contracts with our flour, paper products and cooking oil suppliers for most of 2006.

With respect to fuel oil, our exposure is on freight charged to us by transportation companies, recently in the form of significant fuel surcharges due to high fuel oil costs. The cost of fuel oil continues to trend upwards. To minimize our risk, we have entered into costless collar hedges using heating oil as a proxy for diesel in 2006 to hedge an estimated 75% of our diesel exposure. The collar ranges are between US\$1.68 US per gallon and US\$1.95 US per gallon. These ranges essentially fix our fuel surcharges between 17% and 26% on 75% of our diesel exposure.

(f) Rapid technological change: In terms of rapid technological change, our leading edge enterprise-wide computer software systems (principally Oracle[®] (J.D. Edwards) and Lotus Notes[®]), and our investment in Internet-enabling connectivity, means that we are able to control our business processes and are prepared and able to communicate with customers as the customer chooses. As customers grow, they are centralizing and reducing costs to achieve merger synergies. We are well positioned to be a supplier of choice due to our ability to meet customer requirements.

5. DIVIDEND POLICY

Dividends on High Liner's Class C and Class D Preference Shares of \$0.1 million were paid in full in 2003 (\$0.264 per share). These shares were redeemed in December of 2003.

The dividend rate on the Second Preference Shares is tied to the prime rate of one of Canada's chartered banks, and were paid in full in the amount of \$1.0 million (\$5.18 per share) for 2005, \$1.0 million (\$5.02 per share) for 2004 and \$1.1 million (\$5.35 per share) for 2003. All dividends are current at the end of 2005.

Beginning in the last quarter of 2003, we instituted a quarterly dividend to holders of High Liner's Common Shares. The implementation of this policy reflects our confidence in the future as we focus on growing our business, together with significant improvements in our balance sheet. A dividend of \$0.05 per common share was paid in the fourth quarter of 2003 and in each quarter of 2004 and 2005. On February 15, 2006, the Directors approved a quarterly dividend of \$0.05 per share on the Company's common shares payable on March 15, 2006 to holders of record on March 1, 2006.

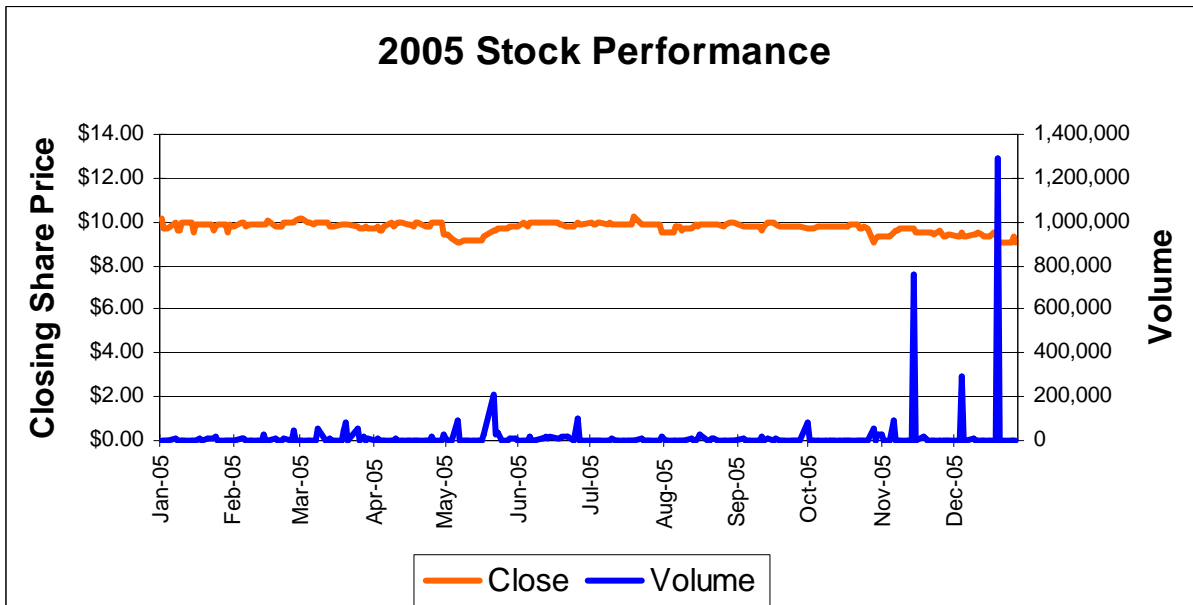
It is the Company's intention to pay current quarterly dividends in 2006 on both the Common and Second Preference Shares.

6. CAPITAL STRUCTURE

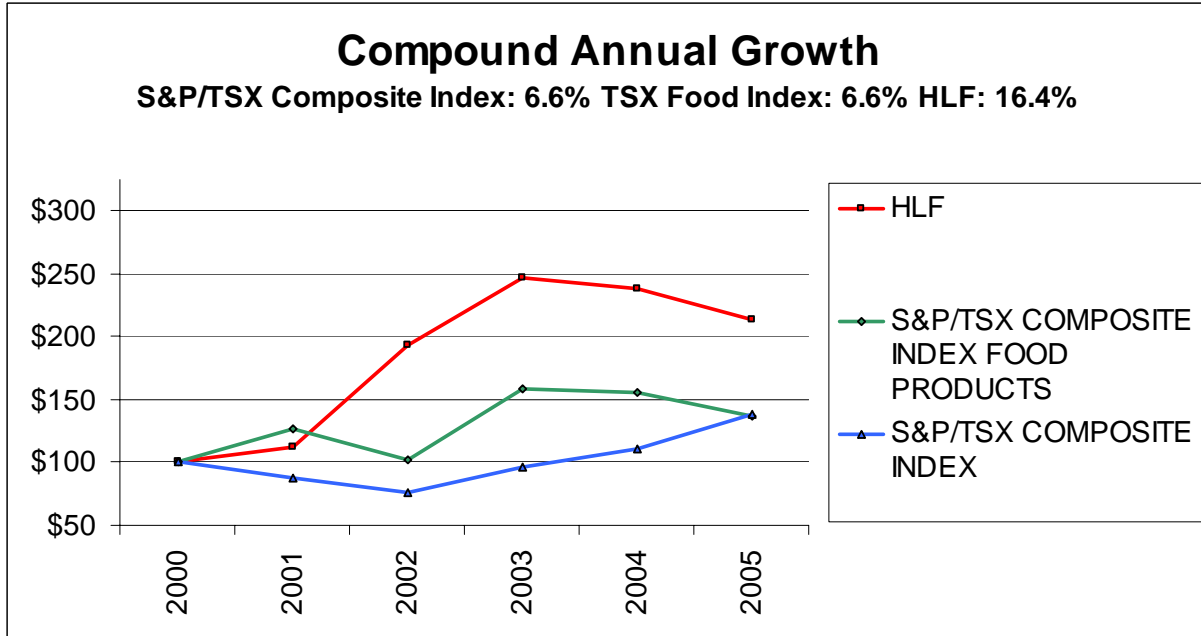
High Liner's capital structure, including a description of each class of authorized security and associated characteristics of each security, including voting rights, provisions for conversion, dividend rights, etc., is fully disclosed in note 8 to the Financial Statements, beginning at page 42 of the Company's 2005 Annual Report.

7. MARKET FOR SECURITIES

High Liner’s Common Shares are listed for trading on The Toronto Stock Exchange under the symbol “HLF”. During 2005, these shares traded between \$9.05 and \$10.30. On December 30, 2005, they closed at \$9.10. Volumes traded on an average day approximate 16,428. The chart below identifies the price ranges and volumes by month for our last fiscal year.



The following graph compares the yearly percentage change in the Company’s cumulative total shareholder return on its common shares with the cumulative total return of the S&P/TSX Composite Index Food Products and the S&P/TSX Composite Index over the last five financial years, assuming a \$100 investment and dividends are reinvested. Due to the discontinuance of the TSX Food Index in 2004, we have used the S&P/TSX Composite Index Food Products and have adjusted historical information to reflect this.



8. DIRECTORS AND OFFICERS

8.1 Directors

The names, residence, occupations, and shareholdings of the directors of High Liner are set out on pages 3 to 5 of the Management Information Circular dated March 17, 2006 and prepared for the Annual Meeting of Shareholders to be held on May 10, 2006. This information also identifies members of each committee of the Board of Directors. All directors proposed for nomination in 2006 were directors at the Company's fiscal year end on December 31, 2005.

Pursuant to High Liner's by-laws, directors are elected to serve until the next Annual General Meeting of Shareholders or until a successor is elected. The terms of all incumbents therefore expire on May 10, 2006, and all incumbents except Mr. Sobey who has decided to retire, have been nominated for re-election. The current non-executive directors own in the aggregate 247,857 common shares of High Liner (as of March 17, 2006), representing 2.4% of the total issued and outstanding shares.

8.2 Executive Officers

Except where noted, the executive officers of High Liner have served in their current roles for more than five years. The names, residences, and offices held by the executive officers of High Liner are:

- Henry E. Demone, President & Chief Executive Officer, Lunenburg, Nova Scotia.
- Kelly L. Nelson, Vice President Corporate Services & Chief Financial Officer, Mader's Cove, Nova Scotia.

- Mario Marino, Vice President and Chief Operating Officer Canadian Operations, Toronto, Ontario. Prior to 2003, Mr. Marino was Vice President Canadian Sales and Marketing.
- Mark Lamothe, President and Chief Operating Officer United States Operations, Beverly, Massachusetts. Prior to joining High Liner in 2006, Mr. Lamothe was Managing Director of Fishing Processors Inc. and prior to that worked for Gorton's Inc. in seafood marketing.
- Mario G. Patenaude, Vice President, Human Resources, Hubbards, Nova Scotia. Mr. Patenaude joined High Liner in 2003. Prior to joining the senior management team, he worked in senior human resources roles with Pfizer Pharmaceuticals, Bell Mobility, DMR Consulting, Spar Aerospace, and the Irving Group.
- Paul Snow, Vice President Procurement, Pleasantville, Nova Scotia.
- Ronald Whynacht, Vice President Business Development, Lunenburg, Nova Scotia. Prior to the disposition of the Fishing Division, Mr. Whynacht was Vice President and Chief Operating Officer of National Sea Products.

The executive officers as a group own 214,133 common shares of High Liner, representing just over 2% of the issued and outstanding shares.

9. AUDIT COMMITTEE INFORMATION

9.1 Audit Committee Charter

High Liner's Audit Committee Charter is attached as an appendix to this Annual Information Form.

9.2 Composition of the Audit Committee

The Audit Committee of High Liner has five members: R.P. Dexter, Q.C. (Chairman), F.J. Dickson, Q.C., R.L. Pace, R.E. Shea and J.R. Winters, Q.C.

Each member of the Audit Committee is both independent and financially literate¹¹. Mr. Dexter, the Chairman, is a director and Chairman of Empire Company Limited. Empire is a major shareholder of Sobeys Inc., an important grocery retailer customer of the Company, and Mr. Dexter is also a director of Sobeys Inc. However, High Liner is not a material supplier to Sobeys Inc. Mr. Dexter's full time occupation is to serve as Chief Executive Officer of Maritime Travel Inc. He is also a partner of Stewart McKelvey Stirling Scales, the Company's primary Canadian external legal counsel. While Mr. Dexter maintains a relationship with the law firm, he has withdrawn from active law practice. He provides no direct or indirect legal services to High Liner, and he derives no direct or indirect compensatory fee from High Liner arising from the provision of legal

¹¹ "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

services to High Liner. Maritime Travel provides corporate travel consulting and reservation services for the Company, but compensatory fees earned by Maritime Travel from High Liner are immaterial to both High Liner and Maritime Travel.

Mr. Fred Dickson is the nominee of the Province of Nova Scotia. The Province of Nova Scotia is a holder of Second Preference Shares. Pursuant to a 1984 Agreement, the Province is entitled to nominate a director for so long as the Province owns the Second Preference Shares, and the nominee must sit on the Executive and Audit Committees. Mr. Dickson is a partner of McInnes Cooper, a Halifax law firm.

Mr. Robert Pace is the Chairman and Chief Executive Officer of The Pace Group Limited, a private holding company, and Chairman of Maritime Broadcasting System, the owner and operator of 25 radio stations in the Maritimes.

Mr. Robert Shea is the Chairman and President of Shea Financial Group Inc. of Boston, Massachusetts, and a director of Balcom & Shea Insurance Agency, Inc.

Mr. Robert Winters is Counsel to Burchell MacDougall, barristers and solicitors of Truro, Nova Scotia, and Chairman of Napwick Holdings Limited.

All members of the Committee are financially literate. Via a detailed questionnaire, the Board of Directors solicited information from each director with respect to each director's education and experience. The Board considers that each member of the Audit Committee has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of accounting issues that are most typically raised by High Liner's financial statements and by the statements of similar manufacturing businesses.

9.3 Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

Mr. Robert P. Dexter, Q.C.: The Chairman of the Audit Committee is the Chairman and Chief Executive Officer of one of Canada's 50 Best Managed Companies, Maritime Travel Inc., (selected eight consecutive years by the National Post newspaper), which operates 81 travel stores across Canada. Maritime Travel Inc. has also been named as one of the 50 Best Companies to Work For in Canada for 2005, according to a study commissioned by the Report on Business Magazine of the Globe and Mail newspaper, and for the second consecutive year. Mr. Dexter is also a director of other major Canadian companies, including Empire Company Limited, Sobeys Inc. and Aliant Inc. Mr. Dexter was appointed Chairman of Empire Company Limited in 2004.

Mr. Fred J. Dickson, Q.C.: Mr. Dickson is a partner of McInnes Cooper of Halifax, Nova Scotia and has practiced business law for more than twenty-five years. He is a director of the Offshore Trade Association of Nova Scotia and the Canadian Council for Public-Private Partnerships. Recently, Mr. Dickson has participated in KPMG LLP's Audit Committee Institute Roundtables.

Mr. Robert Pace, in addition to building several successful private companies, has served on the Board of Directors of Canadian National Railway since 1994 and chairs its Audit, Finance and Risk Committee. Canadian National Railway is listed on the Toronto and New York Stock Exchanges. He also serves as a director and Chair of American Manor Enterprises Inc. He holds both a Bachelor of Laws and a Masters in Business Administration degree from Dalhousie University, and has more than twenty years of business experience.

Mr. Robert Shea is a successful entrepreneur in the insurance industry and financial services industries. He is Chairman and President of Shea Financial Group Inc., engaged in the design and funding of executive compensation plans, and is a director of Plaintiff Systems Inc., American Manor Enterprises Inc., and SolutionInc Technologies Limited.

Mr. Robert Winters, Q.C. is of counsel to Burchell MacDougall, a law firm of Truro, Nova Scotia. Apart from his law practice, Mr. Winters has been a successful owner and chief executive officer of a number of companies in the hospitality and food service industries including a processed food manufacturing company. In recent years, Mr. Winters has chaired a number of organizations in the fields of health care, economic development and education, and at various times he has served on audit committees for such organizations. He is past chair of the Board of Regents of Mount Allison University and he chaired that institution's audit committee for three years.

9.4 Audit Fees

Ernst & Young LLP is the Company's auditing firm. Fees payable for the years ended December 31, 2005 and January 1, 2005 to Ernst & Young LLP are \$314,175 and \$334,097. Fees payable to Ernst & Young LLP and its affiliates in 2005 and 2004 are detailed below.

	2005	2004
Audit fees	\$ 220,000	\$ 200,000
Audit-related fees	26,934	27,921
Tax fees	59,978	102,523
All other fees	7,263	3,653
	<u>\$ 314,175</u>	<u>\$ 334,097</u>

The nature of each category of fees is described below.

Audit fees

Audit fees were paid for professional services rendered by the auditors for the audit of the annual financial statements or review of quarterly financial statements of High Liner and its subsidiary or services provided in connection with statutory and regulatory filings or engagements.

Audit-related fees

Audit-related fees were paid for assurance and related services that are reasonably related to the performance of the audit or review of the annual financial statements and are not reported under the audit fees item above. These services consisted of:

- accounting consultations in connection with various issues; and
- the audit of the financial statements of the U.S. 401(k) plan.

Tax fees

Tax fees were paid for tax compliance services including the review of original and amended tax returns and assistance with questions regarding tax audits and dealing with various tax authorities.

All other fees

Fees disclosed in the table above under the item “All other fees” were paid for services other than the audit fees, audit-related fees and tax fees described above. These services consisted of accounting and tax consultations regarding possible acquisitions.

The Audit Committee approves all non-audit service fees. During 2004 and 2005 an auditing firm other than Ernst & Young was engaged to assist the Company with documentation of internal controls. In 2005, an auditing firm other than Ernst & Young was engaged to assist the Company with its annual goodwill impairment test.

10. TRANSFER AGENTS

CIBC Mellon Trust Company is High Liner’s transfer agent and registrar with respect to Common Shares of the Company. The register of the transfers for Common Shares is kept at Halifax, Nova Scotia. CIBC Mellon’s address is:

1660 Hollis Street, Centennial Building, 4th Floor
Halifax, Nova Scotia B3J 1V7
902-420-3222
www.cibcmellon.com
E-mail inquiries: inquiries@cibcmellon.com

11. ADDITIONAL INFORMATION

Further information, including additional copies of this Annual Information Form, the 2005 Annual Report containing the comparative consolidated financial statements and accompanying report of the auditor, the most recent interim financial statements and the Management Information Circular for the Company's Annual General Meeting to be held on May 10, 2006, may be obtained upon request from the Corporate Secretary of the Company at investor@highlinerfoods.com, or on the Company's Internet website at www.highlinerfoods.com, or by writing to the Corporate Secretary at High Liner Foods Incorporated, PO Box 910, Lunenburg, Nova Scotia B0J 2C0.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and options to purchase securities, is contained in the Company's 2005 Management Information Circular, and additional financial information is provided in the Company's consolidated financial statements and Management Discussion & Analysis for 2005, contained in the Company's 2005 Annual Report.

All additional information referred to in this AIF may also be found on SEDAR at www.sedar.com.

Appendix – Audit Committee Charter

1. The Committee shall consist of at least four outside directors, all of whom are independent and financially literate¹². The Committee should consider whether at least one member should be a “financial expert” as defined in applicable regulations or guidelines. The Committee shall be small enough that all members are active participants. The members’ terms of appointment should coincide with the terms of appointment of other board committees and provide for continuity of membership, while at the same time allowing fresh perspectives to be added by periodic changes in the membership of the Committees. The Chairman of the Board, the President and Chief Executive Officer, Vice President Corporate Services and Chief Financial Officer, and Corporate Controller shall attend meetings of the Committee by invitation.
2. The Committee shall meet on a regular basis but at least quarterly. Special meetings shall be called at the request of the external or internal auditors. The external auditors and the Manager of Internal Audit shall have the right to attend all meetings of the Committee. At least once a year provision shall be made to meet privately with management. The Committee shall meet privately with the external auditors at every meeting and with the Manager of Internal Audit at least twice per fiscal year.
3. The full Board of Directors shall be kept informed of the Committee’s activities by a report delivered by the Chairman following each Committee meeting.
4. The Committee shall review all published financial information that requires approval by the Board of Directors. These would include interim statements, year-end audited statements, Management Discussion & Analysis, Annual Information Form, Annual Report, statements in prospectuses and other offering memoranda, as well as all news releases relating to financial or material information about the Company.
5. The external auditors shall report directly to the Audit Committee and attend every meeting.
6. The Committee shall review the audit plans of the internal and the external auditors, including the degree of co-ordination in those plans, and shall enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls shall be reviewed.
7. The Committee shall review with management and the external auditors the results of the internal and external audits and any changes in accounting practices or policies and the financial statement impact thereof. In addition, the Committee shall review any accruals, provisions or estimates that have a significant effect upon the financial statements as well as other sensitive matters such as disclosure of related party transactions.
8. The Committee shall review with management, the external auditors and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, or any other matters, that could have a material effect upon the financial position or

¹² “Financially literate” means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

- operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
9. The Committee will review the certification of the Chief Executive Officer and Chief Financial Officer that: 1) the interim and annual financial statements, MD&A and AIF of the Company do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements, in light of the circumstances under which they are made, not misleading; 2) the financial statements, together with other financial information in the MD&A and AIF, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer; 3) the internal controls of the issuer have been designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurances that the Company's financial statements are fairly presented in accordance with GAAP; 4) the disclosure controls or procedures of the Company have been designed by or under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurances that material information is made known to him or her or to others within the Company.
 10. The Committee shall review all subsidiary company or special purpose audit reports, including those of pensions funds, if any, as well as the minutes of all audit committee meetings of subsidiaries and any significant issues and auditor recommendations.
 11. The Committee shall consider any other matter that in its judgment shall be taken into account in reaching its recommendation to the Board of Directors concerning the approval of the published financial information.
 12. The Committee shall consider whether the external auditors shall be reappointed after obtaining management's view of the competency of the incumbent auditors and recommend accordingly to the Board of Directors.
 13. If a change in external auditors is considered appropriate by the Committee, the Committee shall discuss the reasons for the change, including the response of the incumbent auditors, and shall enquire as to the qualifications of the newly proposed auditors before making its recommendation to the Board of Directors. The Committee shall review all issues related to a change in auditors under National Policy 31 of the Canadian Securities Administrators.
 14. The Committee shall review and approve the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of the internal audit and other support provided by the Company to the external auditors.
 15. The Committee shall review the nature of any non-audit services proposed to be performed for the Company by the audit firm, and consider whether the nature or extent of such services could detract from the audit firm's independence in carrying out the audit function. The Committee shall pre-approve all non-audit service fees.
 16. The Committee shall review any problems encountered by the auditor, restrictions on the auditor's work, the co-operation received in performance of the audit, and the audit findings.
 17. The Committee shall review with the auditors any significant recommendations made by them to management on the subject of internal control, and management's response to the recommendations.

18. The Committee shall request internal and external auditors to report to it any matters of which they are aware, that might be considered unethical or “on the fringe”.
19. The Committee will establish and maintain procedures for the (a) receipt, retention and treatment of complaints received by High Liner regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission of information by employee “whistle-blowers” regarding questionable accounting matters.
20. Review and approve the Company’s hiring policies regarding employees or former employees of the external auditor (or former auditors).
21. The Committee should review and approve the Company’s Corporate Disclosure Policy and ensure that there is a process in place to provide timely disclosure of material corporate events that would be of interest to investors.
22. Consider and, if appropriate, approve requests from individual Directors to retain independent advisors.
23. Review and approve the President’s travel and professional expenses.
24. Review annually the Company’s Business Risk Management Policies, particularly the Financial Risk Management Policy, the statement of Business Risks in the Directors’ Manual, and the Company’s insurance program.