



**ANNUAL INFORMATION FORM (AIF)
FOR 2006**

(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.

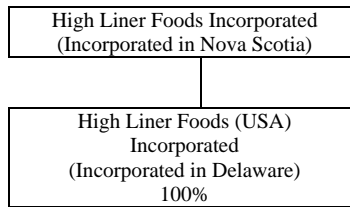
1. CORPORATE STRUCTURE

1.1 Name and Incorporation

High Liner Foods Incorporated is a Nova Scotia company, amalgamated under the Companies Act of Nova Scotia. Our 108-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 and conceived the "High Liner" brand. 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 throughout the United States and Mexico and manufactures most of the seafood it sells. We sold our pasta operations in 2006 to focus on frozen seafood.

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 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, the Newfoundland assets, was sold in 2004 and is now accounted for as Discontinued Operations. Nova Scotia fishing assets disposed of in 2003 were not treated as discontinued operations, and continued to be included in continuing operations until May 2003.

High Liner Foods Incorporated (HLF-TSX) has been a Canadian publicly traded company since 1967. We process and market superior quality seafood and other food products in North America. Our expertise is frozen seafood. We produce and market products for the retail, food service, and club store channels. The food service channel includes sales of seafood that are usually eaten outside the home and consists of sales through distributors to restaurant and institutional customers. 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

Seafood Operations

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.

We support our brands by conducting consumer research to determine what food products and formats 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 a line of premium seafood products under the *High Liner* brand to traditional grocery stores in the United States. In 2006 we expanded our *High Liner* product offerings to supercenters (retailers selling both groceries and a wide range of general merchandise) and natural food stores in 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.

Pasta Operations

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. Our pasta business suffered since the acquisition due to several factors, primarily the popularity of low carbohydrate diets. During the past few years, we narrowed our strategic focus to concentrate on the opportunities we see in the seafood category. Due to poor results of our U.S. operations and the expected time required to increase profitability in the United States operations, a write down of the goodwill, which arose on the purchase of Italian Village, was required in the fourth quarter of 2005. In 2006, we sold our pasta operations for the net book value of the related working capital and equipment. The pasta operations are now disclosed as discontinued operations.

Fishing Division

High Liner's growth strategy is firmly based on its expertise as a producer and marketer of frozen value-added seafood. 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 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 stable, despite a reduction in the breaded seafood category, 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 by expanding in the U.S. to the club store channel, supercenters and organic food stores.
- c) ***Acquisition of Frozen Seafood Businesses:*** Although organic growth is our major focus, our strength in the value-added seafood business in North America is an opportunity to acquire other seafood businesses. Our strengths in management, customer relations, marketing, frozen food logistics, new product development, as well as our state of the art business systems, all provide the necessary infrastructure and skills to market, sell and distribute frozen seafood throughout North America.

3. THE BUSINESS

3.1 Product Marketing

Trademarks and Brand Names:

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.

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

Canada

Captain High Liner[®]
High Liner[®]
High Liner Foods[®]
Healthy Bake[®] / Cuisson Sante[®]
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[®]
High Liner Signature[™]
It's A Good Night for Fish[®]
Always a Wise Catch[®] / Toujours une bonne prise[®]
OnLiner[®]
QuickSteam[™]
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[®]
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[®]
Solo Selects[™]
Seafood Selects[™]
Daily Catch[™]
Captain's Classics[™]

Mexico

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

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>2006</u>	<u>2005</u>
Canada	59.7%	56.8%
United States	40.3%	43.2%

Approximately 20% of the Company's 2006 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, they are not usually under long-term contracts and 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\$28.8 billion in 2006¹, an increase of 2.3% over 2005. Sales of frozen seafood were US\$1.8 billion in 2006¹ an increase of 4.4% over the previous year. 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 and more recently, prepared segments 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* products launched in 2005 to traditional grocery stores and in early 2006 to a key customer leverage our seafood strengths into the emerging prepared segment. In late 2006, we launched six all natural, no additives products under the *High Liner* brand to a new U.S. customer in the natural/health food segment.

Our U.S. subsidiary markets a full range of breaded and battered fish sticks and portions under the *Fisher Boy*[®] brand. It also produces a wide variety of breaded and battered seafood products sold as retail private label brands in United States' supermarkets. In 2006, 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-

¹ According to ACNielsen[®], and excludes Wal-Mart (as it does not release data), club stores and mass merchandisers.

friendly brand. In 2006 we launched new *Fisher Boy* products including shrimp poppers, crab bites, crab sticks and crab cakes.

As part of our strategy to improve the competitive position of our *Fisher Boy* products, we will gradually transition all *Fisher Boy* products to the *High Liner* brand. *Fisher Boy* packaging featuring the *High Liner* logo alongside the current *Fisher Boy* logo will be introduced for the Lenten period of 2007 and will be gradually modified to complete the transition to the Company's core brand. This will make our marketing spending more efficient as we focus it on one brand. Better display of our products at retail under one brand will also have an impact on our visibility to consumers.

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. Launches of *High Liner* products to Supercenters and to organic food store outlets are other entries 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 under the *High Liner*[®] brand, including a new and increasingly popular specie, tilapia, which we began selling in 2005 and which grew in sales in 2006.

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.

Canada

Consumer sales in the Canadian retail frozen food market were \$4.8 billion in 2006, an increase of 3% over 2005². Frozen seafood including shellfish, the 2nd largest category, accounted for consumer sales of \$587.1 million in 2006, an increase of 4% over 2005.

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 division also produces a wide variety of seafood products sold as retail private label brands in Canadian supermarkets and to food service distributors. In 2006, approximately 8% of the Company's Canadian seafood sales were from private label products.

² According to ACNielsen[®], and excludes club stores and mass merchandisers.

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	69%
Portsmouth, NH	<i>Prepared Seafood</i>	29,500	63%

(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, 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. High Liner’s North American quality personnel also travel to China to supervisor activities overseas.

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 (Canada). Private label products also compete with our brands and account for as much as 40% of the total seafood market. In the portion of the total seafood market where we compete, private label accounts for as much as 25% 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*[®] has 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 42.9%³ of the frozen packaged seafood market, for the 52 weeks ended December 23, 2006, 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 2006 frozen food study by ACNielsen[®], seafood is the 2nd largest frozen food category in Canada, and High Liner Foods is the largest seafood company and 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 30, 2006, *Fisher Boy* held 15.3%⁴ of the United States' national consumption for fish sticks, down 0.6 share points from 2005. Market share for the *Fisher Boy* and *High Liner* brands of the total frozen seafood category in the United

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.

States is 2.2%⁵ for the same 52-week period, down 0.4 share points from 2005, partly due to the continued popularity and rapid growth of the unbranded frozen unprocessed shrimp and fillets segments. *Fisher Boy* is the leading branded fish sticks at the world's largest retailer. *Fisher Boy* is a leading brand in Mexico City. Up to 2005 Fisher Boy 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 and was partly the reason for the goodwill write down in 2005. Fisher Boy did not lose distribution in 2006.

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 \$140 million of these products in 2007. We purchase frozen raw material and finished goods originating from Russia, Asia, South America, North America, and Europe. Of the seafood we procure, approximately 65% 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 may 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 staff to oversee our procurement activities in Asia. High Liner's North American quality personnel also travel to China to supervise activities overseas.

It is not industry practice to have significant long-term contracts to purchase raw seafood. There are no futures markets for seafood where forward purchases can be hedged. Therefore 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. Substantially all purchases are in U.S.

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.

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 FAO⁶ in 2006, along with estimates of panelists delivered at the 2006 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 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. It is management's opinion that wild harvests will not increase substantially in the near future.

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 and 2006 to U.S. club stores. Tilapia is a relatively new species in North America, however it is already sixth on the list of the top 10 most popular fish species consumed in the United States. It is a white fish that is farmed in fresh or brackish water and appeals to consumers due to its delicate flavour and texture. In late 2006 we began selling basa, another farmed specie. Our strategy is to increase the procurement of aquaculture products in 2007 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 additional procurement staff to assist us in developing our use of aquaculture products.

The Company purchases most of its shrimp products – substantially all 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. Aquaculture accounts for almost 16% of our sales in 2006 and we have targeted 17% for 2007.

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 2006 Annual Report.

⁶ Food & Agriculture Organization of the United Nations

Exhibit 1

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

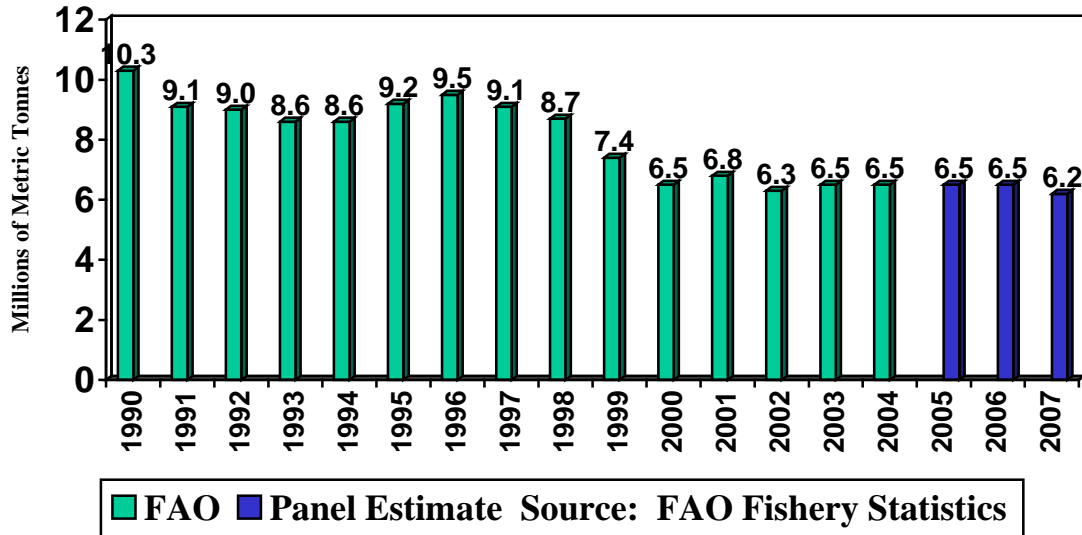
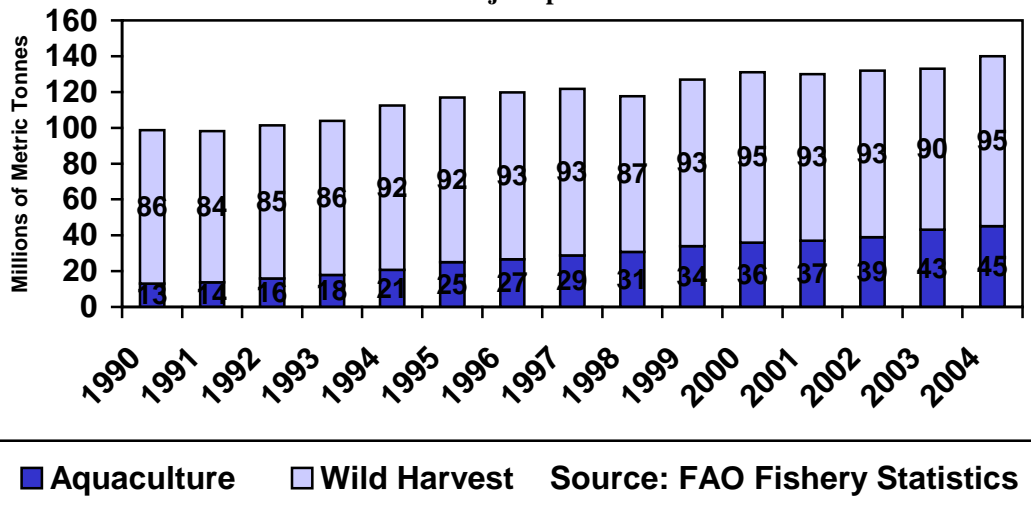


Exhibit 2

**Global Groundfish Summary
10 Major Species**



Species included are: Alaskan pollock, Atlantic cod, Pacific cod, haddock, saithe (Atlantic Pollock), redfish (ocean perch), 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 29 of the Company’s 2006 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 30, 2006, is provided at page 60 of the Company’s 2006 Annual Report.

3.6 Employees

At December 30, 2006, the operations of High Liner Foods involve 628 active permanent employees split as follows.

	Total
Salary	259
Hourly	369
Total	628

High Liner Foods has 260 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 2007.

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

The Company has seen a significant change in its sales, operating EBITDA⁷, 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

⁷ Earnings before interest, taxes, depreciation and amortization, other income and non-operating transactions as disclosed on the consolidated statements of income. Management believes that this is a useful performance measure as it approximates cash generated from operations, before capital expenditures and changes in working capital and excludes unusual items. Operating EBITDA also assists comparison among companies as it eliminates the differences in earnings due to how a company is financed. However, Operating EBITDA does not have a standardized meaning prescribed by generally accepted accounting principles and therefore may not be comparable to similar measures presented by others. We have included foreign exchange in Operating EBITDA beginning in the second quarter of 2006 and prior years have been restated to reflect this change.

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. 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 ownership of the Newfoundland fishing division assets were transferred to local management and a loss was recorded for severance and other costs on the disposal. 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. As the Newfoundland assets disposed of in 2004 were the last assets of our fishing division, this operation was reclassified as a discontinued operation according to GAAP, and historical periods were restated. Previous disposals of assets of the fishing division in 2002 and 2003 could not be reclassified under GAAP and these operations remain as continuing operations in our historical financial statements.

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. This write down of goodwill was necessary as we were not able to return our pasta operations to profitability and, as previously mentioned, the distribution of our Fisher Boy products to U.S. grocery stores reduced from 50% to 25% during the previous 12 months, which reduced profitability. As a result of this deterioration of the expected future cash flows of the U.S. operations a Step 1 impairment test indicated a write down of some magnitude was necessary. This meant a more formal Step 2 valuation of the U.S. operations was

necessary. This valuation, when completed in early 2006, indicated that other assets such as plant and equipment and other intangibles were worth substantially more than their book values. Although we were not able to record these increased values on the balance sheet they contributed significantly to the write down of the goodwill.

In 2006 we sold our pasta operations for book value.

In 2006 we also recorded adjustments for accrued costs recorded in prior years on the disposal of our fishing assets due to estimates used that differed from the actual costs paid, mostly related to pension and severance costs.

Over the period 2002 to 2006 the average annual Canada/ USA exchange rate decreased (Canadian dollar strengthened) from 1.5709 to 1.1342. The year-end rate increased from a high of 1.5956 at the end of 2001 to 1.1653 at the end of 2006, a 27% increase in the value of the Canadian dollar. In this time period the dollar strengthen to a high of \$1.0948. 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 U.S. dollars. This benefit was short lived, as the U.S. dollar denominated price of this raw material increased by more than the cumulative strengthening of the Canadian dollar in 2006.

After a period of a strengthening Canadian dollar, we have seen some weakness in late 2006 and early 2007. This likely means that we can no longer count on a strong Canadian dollar to offset increases in the U.S. dollar cost of raw materials, and if weakening continues, it may increase our costs.

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 2006 average rate of 1.1342 over the entire 5-year history.

High Liner Foods Inc.					
Sales In \$000's - By Component					
(\$ 000s)	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Total Sales	\$ 266,021	\$ 260,433	\$ 288,262	\$ 315,879	\$ 324,458
Less US Italian Village Business	\$ (4,296)	\$ (10,230)	\$ (10,227)	\$ (12,614)	\$ (15,915)
Less NF Fishing Assets			\$ (18,768)	\$ (22,626)	\$ (26,179)
Sales From Continuing Operations	\$ 261,725	\$ 250,203	\$ 259,267	\$ 280,639	\$ 282,364
Less NS Fishing Assets				\$ (10,523)	\$ (31,598)
Packaged Foods Sales	\$ 261,725	\$ 250,203	\$ 259,267	\$ 270,116	\$ 250,766
Less FX effect at 1.1342 (0.882)	\$ -	\$ (7,116)	\$ (16,001)	\$ (25,897)	\$ (34,431)
Constant dollar sales	\$ 261,725	\$ 243,087	\$ 243,266	\$ 244,219	\$ 216,335

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 and pasta businesses 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					
	2006	2005	2004	2003	2002
Packaged Foods EBIT	\$ 10,551	\$ 6,974	\$ 15,966	\$ 17,121	\$ 15,988
Unallocated Interest	\$ (907)	\$ (419)	\$ (352)	\$ (271)	\$ 31
Packaged Foods Income Before Tax	\$ 9,644	\$ 6,555	\$ 15,614	\$ 16,850	\$ 16,019
Less estimated taxes	\$ (4,318)	\$ (2,038)	\$ (5,766)	\$ (6,621)	\$ (6,452)
Packaged Foods Net Income	\$ 5,326	\$ 4,517	\$ 9,848	\$ 10,229	\$ 9,567
Other items after tax					
Fishing Operations					
NS Fishing Operations after-tax EBIT	\$ -	\$ -	\$ -	\$ 703	\$ 2,978
Interest on NS Fishing Operations	\$ -	\$ -	\$ -	\$ (832)	\$ (2,623)
Non operating assets sales & write-offs	\$ (172)	\$ 352	\$ 602	\$ 40,986	\$ 2,155
Discontinued operations (Newfoundland)	\$ 226	\$ -	\$ (3,107)	\$ (5,557)	\$ (32)
Pasta Operations					
Italian Village Litigation Costs	\$ -	\$ (253)	\$ (189)	\$ (25)	\$ (1,593)
Discontinued operations (Italian Village)	\$ (1,019)	\$ (2,839)	\$ (808)	\$ (273)	\$ (579)
Italian Village Goodwill	\$ -	\$ (41,231)	\$ -	\$ -	\$ -
Income Tax adjustments	\$ -	\$ (936)	\$ 1,812	\$ 500	
Other income	\$ (31)	\$ (79)	\$ 4	\$ 73	\$ 116
Net Income	\$ 4,330	\$ (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 subsequent earnings 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 2006 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 in 2005 and prior years relate to the adjustment of income tax valuation allowances, excluding those that arose on the 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 2003 to 2006, adjusting for the gains and losses discontinued operations and non-operating items. 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					
	2006	2005	2004	2003	2002
Based on Net Income	\$ 0.30	\$ (3.93)	\$ 0.66	\$ 4.49	\$ 0.90
Less loss (income) on Discontinued ops	\$ (0.08)	\$ (4.19)	\$ (0.38)	\$ (0.66)	\$ (0.23)
Based on income from continuing ops	\$ 0.38	\$ 0.26	\$ 1.04	\$ 5.15	\$ 1.13
Less (loss) gain on sale of assets and assets writeoff	\$ (0.02)	\$ (0.06)	\$ 0.06	\$ 4.17	\$ 0.22
Based on operating income	\$ 0.40	\$ 0.32	\$ 0.98	\$ 0.98	\$ 0.91

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.

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. 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.

The Company’s Board of Directors, through the Human Relations and Corporate Governance 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.

Our environmental protection requirements are integrated into our overall enterprise-wide risk management programs. In 2007, 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 Hazard Analysis of Critical Control Point and Quality Management Plan, 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 2007 or later years, other than the changes in the value of the Canadian

dollar relative to the U.S. dollar and the increase in raw material costs as discussed in the Management Discussion and Analysis accompanying the 2006 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 91%⁸ of the retail food sales market. In the U.S., retailers are also consolidating. Ten retail operators now control approximately 81%⁹ 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 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.

Consolidation of customers is expected to result in some consolidation of suppliers in the seafood industry. The supply of seafood, especially in the food service market, is highly fragmented. Consolidation is needed to reduce costs and increase service levels to keep pace with the expectation of customers. We are always looking for acquisition opportunities to leverage our current strengths.

(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, have found 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

⁸ Market share is estimated by ACNielsen®

⁹ According to “2007 Marketing Handbook”, published by Trade Dimensions International, Inc.

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. The trend has continued in the last 12 months in the area of processed shrimp and we have taken advantage of this trend and moved a significant portion of our processed shrimp production from U.S. co-packers to Asian suppliers. Although we have not seen this trend significantly affect products produced in our North American plants we continue to look for ways of reducing cost and investment.

(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 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 12.

We can manage the uncertainties of seafood supply and cost to some degree by adjusting product lines, and substituting species in certain products. We have targets set to increase the proportion of our sales that come from aquaculture. We launched our first food service product from aquaculture in 2002, introduced additional choices in 2003 to 2006, and used aquaculture species for our some of our retail *High Liner*™ launches. 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 2006 Annual Report.

(d) Costs and selling prices for seafood raw materials and finished goods:

Approximately 84% of our products are derived from wild species. We expect this to decrease slightly in 2007. Prices for seafood have increased significantly over the past 24 months increasing costs by US\$8.9 million in 2006 and US\$7.9 million in 2005.

Aquaculture has a stabilizing effect on historically volatile raw material and commodity prices as supply and demand can better be balanced. 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. Higher disposal incomes in countries like Russia and China have also increased the worldwide demand for seafood. 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 have been able to pass on the majority of these seafood cost increases to our customers.

The declining U.S. dollar relative to other currencies also increases the cost of fish. As the world market for seafood is transacted in U.S. dollars, a declining U.S. dollar means that other countries currencies are increasing relative to the U.S. and are able to pay more in U.S. dollars for their purchases. On the other hand suppliers, others than those in the USA, need more U.S. dollars to maintain their profit at historic levels.

As well, the recent weakening of the Canadian dollar relative to the Euro will make it harder for us to be competitive in purchasing raw material and finished goods. This is true in all cases where other countries currencies are strengthening relative to the Canadian dollar – making it easier for them to pay a higher price in U.S. dollars for the raw material. Recent weakening of the Canadian dollar compared to the US dollar will also have the impact of increasing seafood costs destined for the Canadian market.

We expect the U.S. dollar cost of procured seafood raw material and finished goods in 2007 to increase approximately 9.2%, or US\$10.6 million, relative to 2006. This is on top of seafood prices increasing 10.3%, or US\$8.9 million, in 2006 over 2005. These increases have been partly offset by a strengthening Canadian dollar of 6.4% in 2006 over 2005 and 6.8% in 2005 over 2004. We expect our average product cost in 2007 to increase by approximately 8.4% over 2006 due to these higher U.S. dollar prices being partly offset by the slightly stronger Canadian dollar. Product costs increased by 4.3%, or \$4.5 million, in 2006 over 2005 after the effect of the strong Canadian dollar. As indicated above, recent weakening of the Canadian dollar compared to the US dollar will also have the impact of increasing seafood costs destined for the Canadian market. Increased selling prices in 2006 and 2007 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, where we can, negotiate fixed price contracts with our suppliers. Going into 2007, we have fixed price contracts with our flour, paper products and cooking oil suppliers for most of 2007.

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 be somewhat unstable. To minimize our risk, we have entered into costless collar hedges using heating oil as a proxy for diesel in 2007 to hedge an estimated 75% of our diesel exposure. Our freight costs have risen by \$3.6 million over the last 24 months. These costs are harder to pass on to customers and we are

looking for ways to be more efficient in this area. We have hired a logistics consultant in this area to help and are looking to achieve cost savings in 2007.

(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

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 \$1.2 million (\$5.87 per share) for 2006, \$1.0 million (\$5.18 per share) for 2005 and \$1.0 million (\$5.02 per share) for 2004. 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 to 2006. On February 21, 2007, the Directors approved a quarterly dividend of \$0.05 per share on the Company's common shares payable on March 15, 2007 to holders of record on March 1, 2007.

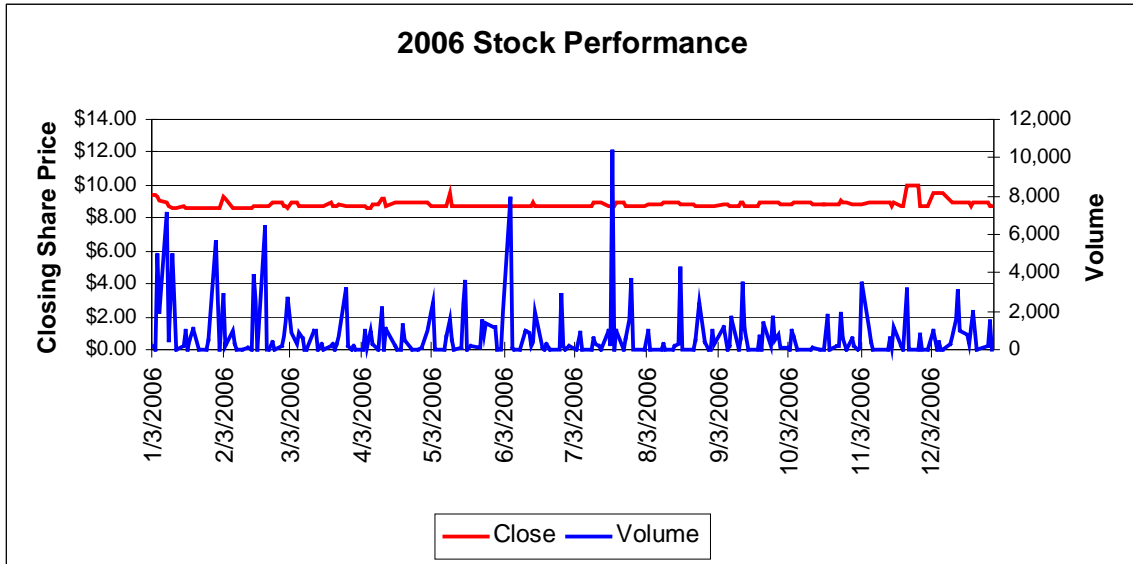
It is the Company's intention, subject to cash flow considerations, to pay current quarterly dividends in 2007 on both the Common and Second Preference Shares.

6. CAPITAL STRUCTURE

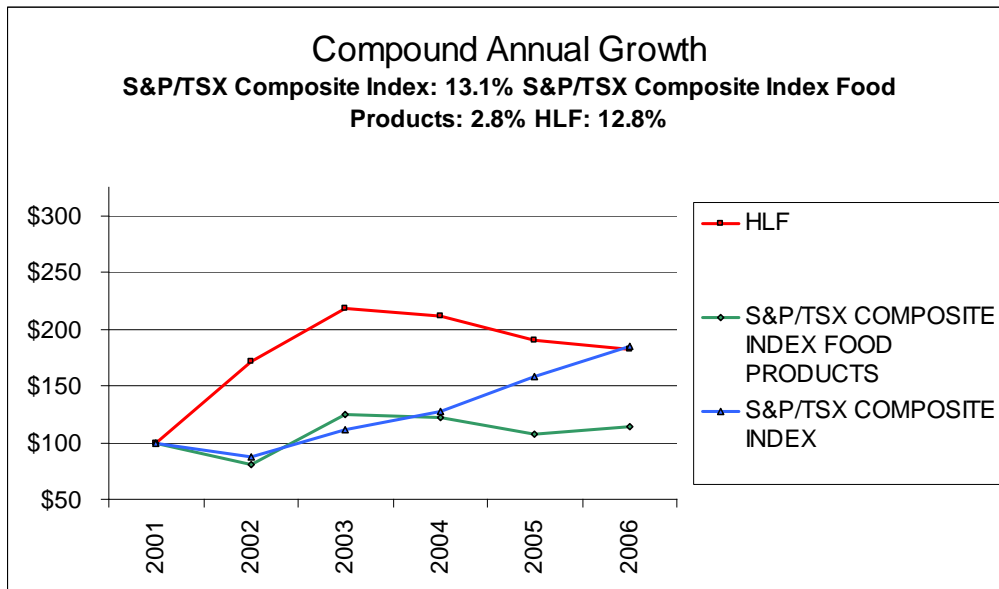
High Liner's capital structure, including a description of each class of authorized security and associated characteristics of each security, including voting rights, provisions for conversion, dividend rights, etc., is fully disclosed in note 8 to the Financial Statements, beginning at page 48 of the Company's 2006 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 2006, these shares traded between \$8.55 and \$10.00. On December 29, 2006, they closed at \$8.75. Volumes traded on an average day approximate 765. 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 7 of the Management Information Circular dated March 23, 2007 and prepared for the Annual Meeting of Shareholders to be held on May 11, 2007. This information also identifies members of each committee of the Board of Directors. All directors proposed for nomination in 2007 were directors at the Company's fiscal year end on December 30, 2006.

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 11, 2007, and all incumbents have been nominated for re-election. The current non-executive directors own in the aggregate 254,857 common shares of High Liner (as of March 23, 2007), representing 2.5% 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.
- Paul Snow, Vice President Procurement, Pleasantville, Nova Scotia.

The executive officers as a group own 215,058 common shares of High Liner, representing 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 six members: R.P. Dexter, Q.C. (Chairman), F.J. Dickson, Q.C., R.L. Pace, R.E. Shea, J.R. Winters, Q.C. and C.R. Bell.

Each member of the Audit Committee is both independent and financially literate¹⁰. For full biographies of these directors, please see pages 3 to 7 of the 2006 Management Information Circular for the Annual General Meeting of Shareholders. The Human Resources & Corporate Governance Committee of the Board determines whether each director is independent. See the report of this Committee at page 17 of the Circular.

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., 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 nine 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 20 Top Best Small and Medium Employers in Canada for 2006, according to a study commissioned by the Report on Business Magazine of the Globe and Mail newspaper. Mr. Dexter is also a director of other major Canadian companies, including Empire Company Limited, Sobeys Inc., Bell Aliant Regional Communications Income Fund, and Wajax Income Fund. Mr. Dexter was appointed Chairman of Empire Company Limited in 2004.

Mr. Fred J. Dickson, Q.C. Mr. Dickson is of counsel to 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.

¹⁰ "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.

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 of Overland Realty Limited. 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., Overland Realty Limited, 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. He is a director of the Halifax International Airport Authority.

Mr. C. Randolph Bell is Chairman of the Bell Group of Companies, of St. John's, Newfoundland, which includes a distribution company, a 25-store retail furniture chain, real estate holdings, offshore oil and gas services, and investment management. Mr. Bell is also a director of K & D Pratt Limited. He has an undergraduate education in commerce, and has been a successful entrepreneur for 42 years.

9.4 Audit Fees

Ernst & Young LLP is the Company's auditing firm. Fees payable for the years ended December 30, 2006 and December 31, 2005 to Ernst & Young LLP are \$340,834 and \$314,175. Fees payable to Ernst & Young LLP and its affiliates in 2006 and 2005 are detailed below.

	2006	2005
Audit fees	\$ 225,000	\$ 220,000
Audit-related fees	28,568	26,934
Tax fees	81,016	59,978
All other fees	6,250	7,263
	<u>\$ 340,834</u>	<u>\$ 314,175</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 and capital restructuring.

The Audit Committee approves all non-audit service fees for services provided by the company’s auditors. During 2005 an accounting firm other than Ernst & Young was engaged to assist the Company with documentation of internal controls. In 2005, an accounting firm other than Ernst & Young was engaged to assist the Company with its annual goodwill impairment test. In 2006, an accounting firm other than Ernst & Young was engaged to assist the Company with due diligence on a potential acquisition and in connection with a potential capital restructuring.

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 2006 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 11, 2007, 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 2006 Management Information Circular, and additional financial information is provided in the Company's consolidated financial statements and Management Discussion & Analysis for 2006, contained in the Company's 2006 Annual Report.

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

Appendix – Audit Committee Charter

Composition

1. The Committee shall consist of at least four outside directors, all of whom are independent and financially literate. ⁽¹⁾ The Human Resources & Corporate Governance Committee will appoint Committee members and the Committee Chair.
2. 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.
3. 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 of the Chair.

Purpose

4. The Committee shall assist the Board of Directors in fulfilling its oversight responsibilities for:
 - (a) The integrity of the Company's financial statements
 - (b) The Company's compliance with legal and regulatory requirements
 - (c) The Company's risk management structure and performance
 - (d) The external auditor's qualifications and independence, and
 - (e) The performance of the Company's internal audit function and external auditors.

Authority

5. The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:
 - (a) Appoint, compensate, and oversee the work of the external auditing firm employed by the Company to conduct the annual audit. The external auditors shall report directly to the Committee and attend every meeting.
 - (b) Resolve any disagreements between management and the external auditor regarding financial reporting.
 - (c) Pre-approve all auditing and permitted non-audit services performed by the external auditor, as set out below.
 - (d) Retain independent counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
 - (e) Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests – or external parties.
 - (f) Meet with Company officers, external auditors, or outside counsel, as necessary.

Meetings

6. The Committee shall meet on a regular basis but at least four times a year. Special meetings shall be called at the request of the Chair, 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.
7. All Committee members are expected to attend each meeting, in person or via teleconference.
8. The Committee shall meet privately with the external auditors at every meeting and with the Director of Corporate Compliance and the Manager of Internal Audit at least twice per fiscal year. The Committee will invite members of management to attend meetings and provide pertinent information as necessary, and will meet separately, at least quarterly, with management. It will also meet periodically *in camera*.
9. Meeting agendas will be prepared by the Corporate Secretary and provided in advance to members, along with appropriate materials. Minutes will be prepared.

Responsibilities

The Committee will carry out the following responsibilities:

Financial Statements:

10. Review with management and the external auditors, and recommend for approval, 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.
11. Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include complex or unusual transactions and highly judgmental areas, major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and the effect of regulatory or accounting initiatives on the financial statements of the Company.
12. Review with management and the external auditors the results of the external audits, including any difficulties encountered, restrictions on the auditor's work, the co-operation received in performance of the audit, and the audit findings. 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.

13. 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 operating results of the Company, and the manner in which these matters have been disclosed in the financial statements.
14. 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.
15. 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.
16. Consider any other matter that in its judgement shall be taken into account in reaching its recommendation to the Board of Directors concerning the approval of the financial information intended for publication.

External Auditing

17. The external auditors shall report directly to the Committee and shall attend every regular meeting of the Committee.

The Committee will carry out the following responsibilities:

18. Review and approve the engagement letter with the external auditors.
19. Review the audit plans of the external auditors, including the co-ordination of audit effort with internal auditing. The Committee 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 and shall be discussed with management, if necessary.
20. Review the performance of the external auditors, and 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.

21. Review and approve the Company's hiring policies regarding employees or former employees of the external auditor (or former auditors).
22. If the Committee considers a change in external auditors appropriate, articulate the reasons for the change, including the response of the incumbent auditors in its recommendation to the Board, and shall oversee the search for and appointment of newly proposed auditors before making a recommendation to the Board of Directors. The Committee shall review all issues related to a change in auditors under National Instrument 51-102.
23. 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.
24. 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.

Internal Auditing and Control

25. The Manager of Internal Audit reports directly to the Director of Corporate Compliance but shall report to the Audit Committee on a dotted line basis.

The Committee will carry out the following responsibilities:

26. Review with management and with the Manager of Internal Audit the plans, activities, staffing, and organizational structure of the internal audit function.
27. Ensure there are no unjustified restrictions or limitations, and shall review and concur in the appointment, replacement, or dismissal of the Manager of Internal Audit.
28. Review the effectiveness of the internal audit function, and shall on a regular basis and at least semi-annually, meet regularly with the Director of Corporate Compliance and the Manager of Internal Audit to discuss any matters that the Committee or internal auditing believes should be discussed privately.
29. Consider the effectiveness of the Company's internal control system, including information technology security and control.
30. Understand the scope of internal review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. The Committee will enquire as to and investigate if necessary any significant deficiencies in the design or operation of internal controls.

Compliance

31. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
32. 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".
33. Establish and maintain procedures for the (a) receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (b) the confidential, anonymous submission of information by employee "whistle-blowers" regarding questionable accounting or auditing matters.
34. Review the findings of any examinations by regulatory authorities, and any auditor observations.
35. Review and approve the Company's Code of Conduct and shall review the process for communicating the Code of Conduct to company personnel and for monitoring compliance with the Code.
36. Review the 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 and to prevent unauthorized disclosures of confidential information.
37. Obtain regular updates from management and company legal counsel regarding compliance matters.

Risk Management

38. Review annually and discuss with management the Company's Business Risk Management Policies, particularly the Price Risk Management Policy
39. Review annually and discuss with management the Company's Risk Factors as disclosed in Management Discussion & Analysis and in the Annual Information Form.
40. Review the Company's insurance program for adequacy.
41. Review and approve the Company's disaster recovery plans and monitor management's implementation of such plans; annually assess the Company's disaster recovery readiness.

Other Responsibilities

42. Consider and, if appropriate, approve requests from individual Directors to retain independent advisors.
43. Review and approve the President's travel and professional expenses.
44. Institute and oversee special investigations as needed.
45. Review and assess the adequacy of this Charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law.
46. Confirm annually that all responsibilities outlined in this charter have been carried out.

Reporting

47. The full Board of Directors shall be kept informed of the Committee's activities by a report delivered by the Chair following each Committee meeting.
48. The Committee shall provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
49. The Committee shall review any other reports the Company issues that relate to Committee responsibilities, including the required Audit Committee disclosure in the Annual Information Form, and the disclosure of Committee activities included in the Management Information Circular.

⁽¹⁾ "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.