ANNUAL INFORMATION FORM (AIF)
FOR 2002

(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. Certain terms used in this Annual Information Form are defined in the Glossary.

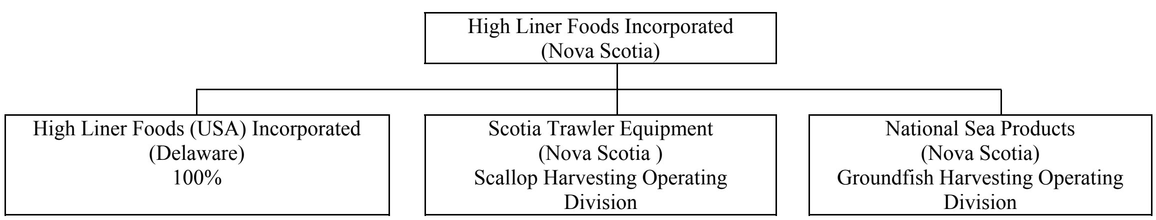
1. CORPORATE STRUCTURE

1.1 Name and Incorporation

High Liner Foods Incorporated is a Nova Scotia company, amalgamated under the Companies Act of Nova Scotia. Its 104-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, the Company changed its 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

The Company's business is carried on through the parent company, High Liner Foods Incorporated, one principal operating incorporated subsidiary, and two unincorporated but distinctly named divisions.



High Liner Foods (USA) Incorporated headquartered in Portsmouth, New Hampshire manufactures and distributes retail frozen seafood and pasta products throughout the United States and Mexico. The Company's scallop and groundfish harvesting businesses operate as divisions of High Liner Foods Incorporated from Lunenburg, Nova Scotia, under the names Scotia Trawler Equipment and National Sea Products, respectively.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Corporate Profile

During the second quarter of 2002, High Liner Foods changed the way it segments its financial information. Previously, revenues were segmented between the Canadian company and the US company, and then further identified by geographic source of income. Under the new financial presentation, operations are segmented between two distinct businesses, Packaged Foods and Fishing. Both Canadian and US companies operate in the Packaged Foods segment but only the Canadian company operates in the fishing segment. For more information, please refer to note 12 to the Consolidated Financial Statements included in the Company's 2002 Annual Report.

High Liner Foods Incorporated (HLF-TSX) is a Canadian publicly traded company in the business of processing and marketing superior quality seafood, frozen pasta, and other food products in North America. The Company's expertise is frozen food. The Company's Packaged Foods division includes food service and all frozen retail branded and private label businesses. The High Liner® brand is among the most recognized in Canada. The Fishing division incorporates all fishing and primary processing activities of the Company. The Company operates food processing plants in Lunenburg, Nova Scotia, Arnold's Cove, Newfoundland, Portsmouth, New Hampshire and Secaucus, New Jersey. Logistics and distribution are managed from Lunenburg, Nova Scotia and Portsmouth, New Hampshire. The Company procures seafood raw material from around the world, although a small percentage continues to be supplied by the Company's Fishing division.

The Canadian Packaged Foods sales and marketing group includes Retail and Food Service businesses headquartered in Toronto, with regional sales offices in Calgary, Montreal and Halifax. The US Packaged Foods business is headquartered in Portsmouth, New Hampshire. The Fishing division's commodity sales group, an in-house sales team selling seafood directly to customers, is located in Lunenburg, Nova Scotia. This division sells fresh and frozen fish, principally to the United States and Europe, and to the Packaged Foods division.

High Liner's Fishing division operates a fishing fleet that harvests seafood from the waters of the North Atlantic. The assets of this group include scallop and groundfish vessels based in Lunenburg, and a primary processing plant located in Arnold's Cove, Newfoundland. High Liner Foods is a significant holder of groundfish and scallop quotas in Atlantic Canada.

2.2 Three Year History

Packaged Foods

During the past three years the Company has consistently focussed on increasing the sales, profits and market share of its major Packaged Foods brands, High Liner®, Fisher Boy® and Gina Italian Village®. The Company has been and continues to be successful in achieving these goals. High Liner continues to dominate the Canadian retail frozen seafood category, and the Company's frozen pasta products are the number two brand nationally in the United States and the number one brand in their core markets. Fisher Boy fish sticks are the best selling fish sticks in the United States.

The Company brands are supported by consumer research to determine what food products appeal to shoppers. We then focus product development on delivering on these expectations. A good example of this strategy is High Liner's "Signature" 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 restaurant-quality seafood products aimed at the more mature consumer, which are now 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. Distribution increased by securing listings at Sam's Club and Costco. US club store shoppers are generally above-average income earners who prefer high quality, healthful products. The products meet their expectations.

A second initiative taken by Canadian Retail was to introduce new products into seafood departments of Canadian grocery stores. This increases our brand presence in grocery stores to two departments: the frozen food aisles and the seafood department. The introduction of new products to an already-crowded frozen food aisle can sometimes produce the undesirable result of product cannibalism. This risk is mitigated by bringing new products into a new department of the grocery store where our new products do not have to compete amongst our existing products.

Fishing Division

During the past few years, the Company's primary processing plants have been challenged by competition in production from other less-developed countries, particularly China. As a direct result of this competition, the Company's Arnold's Cove plant was offered for sale in late 2001. However, a buyer was not identified and since the plant continues to operate at full capacity producing products for the US club store channel and food service there are no current plans to sell the facility.

High Liner's growth strategy is clearly based on its Packaged Foods division. As a result, the Fishing division's products, especially scallops, were redirected from commodity fresh sales to the Packaged Foods division to meet consumer demand. Together with the impact of lower cod and perch landings, external sales in the Fishing division have therefore decreased. This has been offset in part by selling steelhead trout marketed under contract for Atlantic Canada aquaculture operators.

Ongoing competitive challenges and lack of raw material volume for the Lunenburg wetfish plant eventually led to its closure late in 2002. Fishing operations continue for both the groundfish and scallop fleets. Groundfish previously landed at the Company's Lunenburg primary processing plant is now sold to independent processors and marketers at daily market prices. In some cases, the Fishing division will market the products that are processed by third party processing plants under contract.

2.3 Business Strategy

High Liner Foods' vision is to be the supplier of choice in its target markets by providing innovative, quality products and superior customer service. We also develop outstanding employees in a safe workplace and build shareholder value through operational excellence and brand leadership.

Our goal is to develop the number one or number two brand position nationally in our chosen product categories. We have identified products, such as our current seafood and pasta lines, which meet our product criteria: good value, high quality, nutritious and convenient for North American consumers. In the retail sector, products must be ready to eat from the freezer to the table in less than twenty minutes to appeal to consumers. 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.

2.4 Growth Strategy

High Liner Foods will pursue growth in three areas:

a) ***Growth in Core Markets*****:** To continue to grow the Company's core seafood and pasta businesses in both Canada and the United States in retail and food service markets. New product introductions as well as the Company's strategy to be the supplier of choice for consolidating customers are an integral part of this strategy. Gaining additional sales volume through club stores and increasing distribution of Fisher Boy® to new US markets are also key to achieving growth targets.

b) ***Expansion into New Markets*****:** Demographics of Latin America, showing a high percentage of population under 16, growing incomes and modernization of supermarket distribution channels, provide an opportunity for High Liner Foods to market its mature North American products, such as fish sticks and fish portions, to urban areas in Latin America. High Liner Foods markets its seafood products in Mexico under the Fisher Boy® brand, and is currently the number one seafood supplier to the retail market in Mexico City. High Liner Foods is working to expand its presence in Mexico. The Company is also expanding distribution for its pasta brand, Italian Village, by introducing it to Canada. The brand was launched in Ontario in 2002, and will be expanded to Western Canada in 2003. With respect to Fisher Boy in the United States, High Liner at the end of 2002 distributed this brand in only 50% of US grocery stores, so the remaining 50% presents an excellent growth opportunity for its popular kid-oriented products. In the first part of 2003, Fisher Boy has already increased its national distribution to 60%.

c) ***Acquisition of Frozen Food Businesses*****:** The Company's strength in the retail frozen food business in North America is an opportunity for the Company to move into other frozen food categories through acquisition. The Company's strengths in management, customer relations, its United States' experience, its new product development expertise, state of the art business systems, and marketing and frozen food logistics expertise, all provide the necessary infrastructure and skills to market, sell and distribute frozen food products throughout North America.

The Company has specific business acquisition criteria. Management will consider acquisitions only if the products of the business to be acquired can be sold through the retail frozen food channel, specifically supermarkets and club stores. Targeted frozen food businesses are those in categories with less than US$300 million in annual retail sales for the North American market that would enable High Liner Foods to build a significant market position through growth or consolidation. A strong regional brand is also an important criterion.

2.5 Significant Acquisitions and Significant Dispositions during 2000-2002

The Arnold's Cove facility, now the Fishing division's only plant, was advertised for sale in 2001. However, we did not identify a purchaser for this facility. We continue to operate it at full capacity and are not actively marketing it for sale. As a result of strong market demands for its products in US club stores, the plant operated two full shifts in 2002, and it is expected that the plant will operate at full capacity throughout 2003.

The Lunenburg wetfish operation was closed in 2002, as discussed above under Section 2.2. This decision will strengthen the Packaged Foods operations, also located in the same building, by providing more capacity to meet the increasing demand for High Liner Packaged Foods products. Closure of the wetfish operation resulted in related costs of $3.4 million, offset in part by a gain on surplus asset dispositions of $3.0 million.

No other significant transactions took place during 2000-2002.

At the end of 2002, the Company owned one surplus plant (Louisbourg), which is leased to a third party, one surplus ground fish trawler and equipment for sale as a result of the closure of the Lunenburg primary processing plant. The Louisbourg tenant has given notice that it intends to exercise its option to purchase the plant for $2.5 million, and we anticipate the transaction will close by July 30, 2003. The book value of this plant is also $2.5 million.

2.6 Trends

There is no trend, commitment, event or uncertainty that is both presently known to Management and reasonably expected to have a material effect on the Company's business, financial condition or results of operations in 2003 or later years. However, there are a number of factors that might impact Company operations, either positively or negatively, depending on the Company's execution of its business and growth strategies. These factors are: customer consolidation, changing ownership of competitors, increase in seafood production from Asia, the inherent uncertainty of future global groundfish supply and costs and selling prices for commodity products, the Company's groundfish and scallop quotas, increased supply of seafood from aquaculture, and rapid technological change. In addition, general economic conditions in North America and their effect on financial and commodity markets may impact results.

With respect to consolidation, grocery retailers, wholesalers and food processors in North America have consolidated and continue to consolidate. Arising out of these consolidations, particularly in Canada, the Company has experienced demands from retailers for increased listing and promotional incentives. However, as a supplier of Canada's clear number one frozen seafood brand, the Company expects to remain an important supplier to Canadian grocery retailers. The Company and U.S operations are focusing their efforts on brand strength and superior customer service to ensure the Company grows in step with consolidators.

In terms of rapid technological change, the Company's leading edge enterprise wide computer software systems (principally JDEdwards® and Lotus Notes®), and its investment in Internet enabling connectivity, means that it is able to control its business processes and is prepared and able to communicate with customers as the customer chooses. As customers grow, they are centralizing and reducing costs to achieve merger synergies. The Company is well positioned to be a supplier of choice due to its ability to meet customer requirements.

During 2002, in Canada and elsewhere in the world, various seafood companies changed hands. Some of these seafood companies are the Company's customers, suppliers or both. It is difficult to generalize the exact impact of this on the Company as it varies on a case-by-case basis, but no specific development has had a material impact on the Company.

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 the raw material due to the use of more manual processes. High quality standards are in place, as all plants retained by High Liner are "HACCP (Hazard Analysis of Critical Control Points Analysis) approved" under US regulatory standards. As a result, these seafood processing plants are emerging as strong competitors, or for High Liner, important suppliers. This is expected to continue into 2003 and beyond.

With respect to seafood raw material availability and cost, the Company anticipates that raw material will not decrease in cost and 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 1 on page 15, indicate stability in aggregate landings of the ten most important groundfish species. The Company views the increasing effort on a global basis to observe sustainable management practices as a factor in the decrease of supply. On a global basis, 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"). On a local level, the Company has endorsed the Canadian Code for Responsible Harvesting by incorporating the Code into its internal Fisheries Compliance Policy. This Code and the Company's Fisheries Compliance Policy are premised on the principle of sustainability.

Generally, the most important species to the Company continue to decline. However, overall seafood available for human consumption continues to increase because of significant increases in aquaculture, as illustrated in Exhibit 2 on page 16. The Company can manage the uncertainties of seafood supply and cost to some degree by adjusting product lines, and substituting species in certain products. The Company launched its first Food Service product from aquaculture in 2002 and continues to investigate the feasibility of using aquaculture raw materials for other products. The increase in aquaculture products has displaced significant volumes in fresh fish counters, which has had the effect of reducing the prices of wild-caught products.

It is expected most groundfish stocks will remain stable in the 2003-2004 fishing year, with the exception of Gulf of St. Lawrence cod stocks and the limited inshore northern cod fishery. These latter cod stocks are expected to decline further and may be closed to commercial fishing. This closure would not have a material effect on the Company's sales or profits.

Raw material and quota issues, and trends expected with respect to scallops, are discussed in more detail in Section 3.4 of this document and under the section entitled "Risk" in the Management Discussion & Analysis in the Company's 2002 Annual Report.

3. NARRATIVE DESCRIPTION OF THE BUSINESS

3.1 Product Marketing

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

	2002	2001
Packaged Foods	82.2%	78.5%
Fishing Division	17.8%	21.5%

In 2002, presentation of Segmented Information was updated to reflect changes in the overall business. Refer to the Company's 2002 Annual Report and Financial Statements for more details on operating segments.

High Liner Foods is one of North America's largest marketers of prepared, frozen, fresh and packaged seafood and frozen pasta. The Company sells its products, both directly and through distributors, to North American retail stores, club stores, hotels, restaurants and institutions, and to the fresh fish market. In Canada, High Liner Foods markets the majority of its seafood products under its High Liner® trademark, in the United States under the Fisher Boy® and High Liner® trademarks, and in Mexico under its Fisher Boy® trademark. The Company exports outside of North America, principally to Europe, typically under the High Liner® brand. High Liner Foods sells its frozen Italian-style pasta products to retail stores throughout most of United States supermarkets under the Gina Italian Village® and Floresta® trademarks. Italian Village pasta was launched in Canada early in 2002. High Liner Foods produces private label seafood and pasta products for retailers throughout North America.

High Liner Foods markets a diverse range of products under a variety of trademarks, as illustrated in the following chart:

	Canada	United States	Mexico
Products:	Fresh and frozen groundfish fillets Scallops Shrimp Fresh fish Prepared seafoods Entrées Other pelagic species Processed chicken	Frozen groundfish fillets Shrimp Prepared seafoods Unsauced frozen stuffed pasta products	Prepared seafoods
	Canada	**United States**	**Mexico**
Trademarks and Brand Names:	Captain High Liner® High Liner® Light Tonight® Healthy Bake® Bake and Broil® Captain's Table® Healthy Catch® Homestyle Baked Fillets® Captain's Catch® La Prise du Capitaine® RingOs® Captain's Fish 'n Fries® Seafresh® Captain's Chicken® Captain Burger® Poulet du Capitaine® Italian Village™ Signature™	Seafresh® Fisher Boy® QWIK BAKE™ QWIK STIX® Gina Italian Village® Floresta® FisheRings™ Villa Prima™	Fisher Boy® RapiBarritas® RapiCocinados® PescAritos™

As mentioned, there has been a trend in the North American grocery business of increased consolidation of grocery retailers and wholesalers. In Canada, five major food retailers control in the aggregate more than 85%[1] of the retail food sales market. In the US, retailers are also consolidating. Ten retailers now control approximately 70% of retail grocery sales. Grocery retailers typically charge suppliers "slotting fees" for shelf space on a per product basis, and also require money to support product advertising and special promotions. Arising out of consolidations, the Company has experienced demands for increased levels of these expenditures. Consolidation has resulted in the

[1] Market share is estimated by ACNielsen®

Company now having one customer that accounts for approximately 12% of the Company's annual sales. Consolidation also makes it more important to achieve and maintain a brand leadership position, as consolidators move towards centralized buying and streamlined procurement. The Company is in a good position to meet these demands, since it offers quality, popular products under leading brands and the ability to meet the expectations for customer service of the major retailers. Given the Company's brand strategy, customer consolidation is an opportunity for the Company to grow in step with customer growth.

Approximately 15% of the Company's 2002 total sales were private label products produced for a variety of retail grocery chains throughout North America. Private labels are products produced under the customer's logo or label to their specifications, rather than under one of the Company's brands. 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 of operations. Management is not now aware of any fact or circumstance that would lead to an imminent loss of significant private label business. In fact in late 2002 and early in 2003 the Company was successful in acquiring two new private label accounts and was awarded exclusive supplier status for 2 years with an important customer. A significant number of customers buy both branded and private label products from the Company.

Packaged Foods - United States

The United States' retail frozen food market had consumer sales of US$ 30.6 billion in 2002[2]. Sales of frozen seafood were US$ 1.6 billion in 2002, an increase of 12.9% over he previous year[2]. The frozen seafood market can be divided into the prepared segment and the unprepared segment. High Liner competes principally in the prepared segment in the US. The growth is occurring in the unprepared segment, attributable to the demand for private label commodity shrimp. The Company is looking at ways to leverage its seafood strengths into this segment. Several of its Canadian products present an opportunity in the US market.

The total frozen pasta market represented sales of US$189 million for 2002, a decrease of 2.7% over the previous year[2]. Management estimates that this decline is a result of the lack of an effective market leader to promote the category.

High Liner Foods (USA), markets a full range of breaded and battered fish sticks and portions and a limited line of frozen shrimp under the Fisher Boy® brand. The US subsidiary also produces a wide variety of prepared seafood products sold as retail private label brands in United States' supermarkets. In 2002, approximately 40% of the Company's United States' dollar seafood sales to the retail frozen food market were private label products. The US division is also responsible for the US club store initiative, marketing a full line of seafood products under the High Liner® brand. A new initiative, selling seafood and pasta products through US school food service channels, was commenced in late 2002.

[2] According to ACNielsen®

High Liner Foods (USA) is a leading seafood supplier to Mexico, where it markets products under the Fisher Boy® brand and co-packs for other distributors.

The US Company also produces and markets frozen unsauced pasta products, such as ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli, to the United States' retail market under the trademarks Gina Italian Village® and Floresta®.

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. As Fisher Boy is not a national brand, we recognized that in order to properly compete and be successful, it would need to be differentiated from the competition. In 2002, the Fisher Boy® brand was repositioned. Unlike other brands, which focus on family products, Fisher Boy has focused on kids. Investments have been made in a new marketing position as "the reliable seafood brand that moms buy for kids, yet serves the whole family". The brand strategy is working well. Fisher Boy® is the brand of choice for families with young children. Packaging and promotional materials have been redesigned. Packaging has been changed to emphasize kids and fun. New Fisher Boy® products directly aimed at young children are being launched.

Similarly, the Gina Italian Village® brand is promoted based on traditional "homestyle" recipes. We believe the authentic Italian-style products provide consistent high quality, and we market their taste, fresh ingredients and value. As "Signature" is performing well for High Liner in the seafood category, we have also developed a premium sub-brand for pasta, *Villa Prima™*, recently launched in the New York area. This will be a higher quality product sold at a higher price. This initiative is expected to increase Company sales and profitability.

Packaged Foods - Canada

Consumer sales in the Canadian retail frozen food market were $3.79 billion in 2002, an increase of 7% over 2001[2]. Frozen seafood, the 3rd largest category, accounted for consumer sales of $367.3 million in 2002, an increase of 12% over 2001. The frozen pasta market is not tracked separately in Canada but is estimated by management to be less than $8.0 million in annual retail sales. Frozen pasta is included in the largest frozen food category, dinners/entrées, with 2002 consumer sales of $1 billion. Entrées grew by 8% in 2002 over 2001. High Liner Foods launched frozen stuffed pasta under the Italian Village brand in the key Ontario market in 2002 where it is now the market leader. Italian Village will be introduced to Western Canada in 2003.

High Liner Foods' 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 channel supplies products to establishments that prepare food to be eaten away from home such as restaurants and cafeterias. As well this division produces a wide variety of seafood products sold as retail private label brands in

Canadian supermarkets. In 2002, approximately 5% of the Company's Canadian dollar seafood sales to the retail frozen food market were private label products.

The Canadian High Liner Food Service division also sells some products to the US market, principally scallops.

Fishing Division - Commodity Sales Marketing

Commodity sales include non-value-added frozen seafood produced at the Arnold's Cove plant, not used as raw material at one of the Company's secondary processing locations or not sold as finished goods to US club stores. This division sold less than $11.0 million dollars in 2002 into other international markets such as Great Britain, France, Denmark, Bermuda, Sweden, Spain, and Germany. Commodity sales also include sales of fresh fillets processed by Arnold's Cove, in addition to marketing for several smaller Maritime processors and aquaculture operators. The commodity sales department is based in Lunenburg, Nova Scotia.

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
PACKAGED FOODS			
Lunenburg	*Prepared Foods*	18,150	80%
Portsmouth NH	*Prepared Foods*	29,500	60%
Secaucus NJ (2)	*Prepared Foods*	18,150	20%
FISHING DIVISION			
Arnold's Cove NF	*Primary Processing*	6,350	100%
Louisbourg, NS (3)	*Leased*	n/a	n/a

(1) Based on the production of finished pounds, on two shifts for 5 days per week.
(2) Building is leased by the Company, subject to a 5-year lease expiring in 2005.
(3) The plant will be sold in 2003 for $2.5 million.

All food processing plants conducting business throughout North America require a combination of State or Provincial and Federal licenses to operate. The requirement to obtain and maintain a food-processing license principally relates 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). High Liner Foods seafood processing plant in Portsmouth, New Hampshire was one of the first plants to have an approved Seafood HACCP plan in the USA and to pass a HACCP audit.

In Canada all seafood-processing plants are required to adopt a QMP (Quality Management Plan) 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 US HACCP system.

Plants outside of North America must also pass HACCP audits to be able to export products to the US. All of the Company's non-North American suppliers are HACCP approved plants.

The Company's food processing plants and its trawlers 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 the Company's plants. In Canada, provincial Departments of Labour and Worker's Compensation Boards play an active role in monitoring health and safety in the workplace. The Canadian Department of Transport regulates safety on the Company's vessels. All vessels are required to undergo regular Canadian Steamship Inspection. The Company's Environment and Safety Committee of the Board of Directors receives quarterly reports on the Company's safety and environmental management, and oversees efforts of the Company to maintain safe and environmentally compliant workplaces.

High Liner Foods owns a fleet of 10 fishing vessels. Eight of these vessels are operated in the Atlantic Canadian offshore sector. Catches from these vessels account for less than 15% of the Company's sales.

3.3 Competitive Conditions

Packaged Foods

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.

The Company's major competitors in the retail seafood market are national and regional producers of brand name and generic products, including Nippon Suisan (owning Gorton's® brand in the U.S. and BlueWater® in Canada), Aurora Foods Inc. (owning the Mrs. Paul's® and Van de Kamp's® brands in the US), Jane's Family Foods Ltd. (Canada), National Fish and Seafood Incorporated (US), and Fishery Products International Limited (Canada and US). US Competitors in frozen unsauced pasta are Heinz (Rosetto® brand), Celentano™ and many other smaller brands. Private label products also compete with the Company's brands. 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.

The Company's major competitors in the food service market consist of vertically integrated fishing companies, regional food processing companies and seafood traders. Competitors include Fishery Products International Limited, Clearwater Fine Foods Inc., Export Packers 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 45.5 % of the frozen packaged seafood market [3], for the 52 weeks ended December 28, 2002. The Company's food service division 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 the Company sells. High Liner Foods carries on advertising and related activities to create, maintain and enhance brand loyalty. "Captain High Liner" is one of the most recognizable brand icons in Canada.

According to a 2002 frozen food study by ACNielsen®, seafood is the third largest frozen food category in Canada, and High Liner Foods is the 8th largest frozen food company in Canada, after Nestle Canada Inc., McCain Foods Ltd., Good Humor - Breyers Company, J.M. Schneider, the Pillsbury Company, Coca-Cola Foods and Kraft.

In the US, Fisher Boy's sales are principally fish sticks and according to ACNielsen for the 52 weeks ended December 28, 2002, Fisher Boy enjoyed 23.9 % of the United States' national consumption for fish sticks[4], an increase of 2.0 share points over the previous year. This makes Fisher Boy the number one selling fish stick, with less than 50% distribution. Fisher Boy's market share[5] of the total frozen seafood category in the United States is 4.9% for the same 52 week period down slightly from 2001, due to the continued popularity and rapid growth of the unbranded frozen unprocessed shrimp segment. Fisher Boy is the leading brand of breaded seafood at the world's largest retailer, Wal-Mart, with a 29.9 share of Wal-Mart's SuperCenter breaded seafood business. Currently, Fisher Boy is the leading brand in Mexico City, with a market share of 36.6 for the 52 weeks ending December 28, 2002, as measured by ACNielsen.

High Liner Foods (USA)'s pasta products enjoy a dominant market position in several US cities, most notably New York City and Philadelphia. Gina Italian Village is the number two brand nationally in the US. Gina Italian Village and Floresta together account for 12.2% of the United States' market for frozen unsauced pasta[6] for the 52

[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 is fish sticks 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

weeks ending December 28, 2002, according to ACNielsen, a decline of 3.2 share points from the prior year. This share rises to 26.1%[7] (and the leadership position) of the New York market for the same period.

Fishing Division

This division competes with Fishery Products International Limited, The Barry Group, Clearwater Fine Foods Inc., and several smaller independent fishermen who market both fresh and frozen groundfish in similar markets. Prices for fresh fish fillets fluctuate daily based on supply and demand in the marketplace. With respect to scallops, competitors in Canada include Fishery Products International, Clearwater Fine Foods and other smaller companies. Generally, competition for scallops and groundfish also includes organizations and fishermen in the Northeastern United States.

Many small local distributors with no single dominant company characterize the fresh seafood market in the United States and Canada. The international export market is characterized by worldwide competition from a large variety of fishing and trading companies.

3.4 Procurement

General

The Company is dependent on its seafood procurement activities. The Company continues to increase procurement of commodity seafood products, either as raw material or finished goods, and expects to purchase over $100 million of these products in 2003. The Company purchases a significant quantity of frozen raw material and finished goods originating from Russia, Asia, most notably China, Norway, the United States, the United Kingdom and Uruguay.

The Company does not have significant long-term contracts to purchase raw seafood. There are no futures markets for seafood where forward purchases can be hedged. The Company's strategy for procurement of raw seafood is to build long term relationships with suppliers and to 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 US dollars and are subject to quality inspection in Canada by the Canadian Food Inspection Agency and in both Canada and the US by the Company's own quality inspectors. From time to time, depending upon market conditions, the Company takes inventory positions to ensure that it has sufficient raw materials at acceptable cost for its requirements.

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includes ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli but excludes perrogies, frozen egg noodles and pasta entrees.

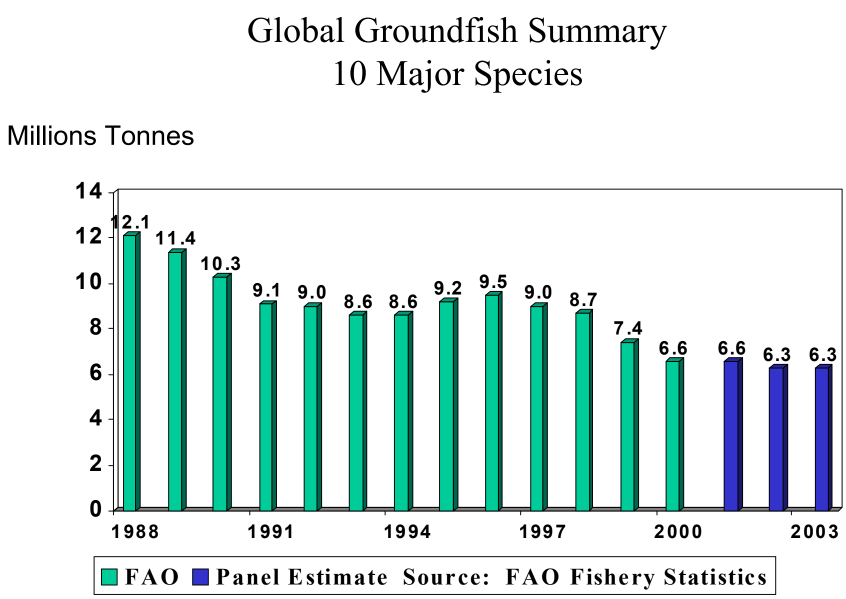
[7] Market share is estimated by ACNielsen® which tracks all grocery stores in New York City with sales of US$2.0 million or more and is measured in pounds. The frozen pasta category reported here is frozen unsauced pasta, which includes ravioli, tortellini, stuffed shells, manicotti, gnocchi and cavatelli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

Global demand for fish and seafood is expected to grow steadily. However, wild fishery catches have declined after peaking at 100 million tonnes per year in 1990. Canada has been particularly affected by this downturn. Exhibit 1 indicates catches of the 10 most important wild groundfish species, as reported by the FAO[8], in 2002 along with estimates of panelists delivered at the 2002 Groundfish Forum, an industry group that meets once a year to discuss the world seafood situation. Sustainability is now an important aspect of fisheries management for most developed countries, and some of the catch reduction is attributable to increased regulation and industry conservation measures aimed at protecting fish stocks for the long term.

Despite a reduction in the 10 major species, 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 mollusks species. This trend is expected to continue. The Company is currently procuring aquaculture products, mainly Atlantic salmon fillets from Chile introduced successfully into the Canadian food service business in 2002, and mussels, sold in traditional retail, club store and food service channels. Procurement of aquaculture species will continue in 2003 as the Company continues to investigate the feasibility and profitability of this source for raw materials. Increased supply of aquaculture species has reduced the market value of other species that are used in value-added products.

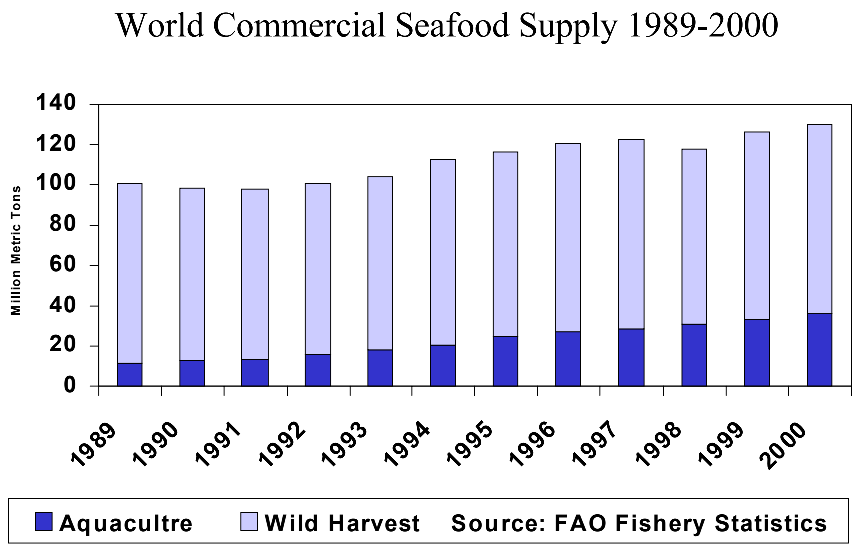
For a detailed description of the risk associated with currency and interest rate fluctuations in relation to procurement of raw materials, refer to the Management Discussion & Analysis in the Company's 2002 Annual Report.

Exhibit 1



[8] Food & Agriculture Organization of the United Nations

Exhibit 2



Packaged Foods

In its Packaged Foods' seafood processing plants at Portsmouth, New Hampshire and Lunenburg, Nova Scotia, the Company processes seafood raw material, obtained from suppliers around the world and from the Company's own Fishing Division, into a wide variety of retail and food service processed products.

The New Jersey pasta plant purchases agricultural products, such as cheese, flour and eggs, from local suppliers in the United States. These ingredients are commodities and prices fluctuate from time to time. The Company has a six month co-pack supply agreement for the purchase of finished pasta product in 2003 at agreed prices. The agreement is renewable.

The Company purchases most of its shrimp products from an independent processor in the United States. The remainder of its shrimp are procured from Thailand with prices based in US currency. Shrimp prices are subject to significant, not altogether predictable, price fluctuations. The Company procures processed chicken products that are purchased in Atlantic Canada with prices that are more stable. The Company's two secondary seafood processing plants currently procure up to 80% of their raw material requirements, equal to 13,500 metric tonnes, from outside procurement efforts.

Fishing Division

Seafood raw material for primary processing is supplied by the inshore, offshore and foreign harvesting sectors, and, on a species by species basis, can be seasonal. Frozen groundfish was procured internationally to meet the Company's demand requirements for its primary processing plants in 2002. In 2002, Arnold's Cove procured 75% of its raw material in a frozen headed and gutted form. Market prices and quality of raw material are significant factors in determining at what level profitable primary production can be achieved.

High Liner's fleet of vessels harvests scallops and groundfish. In 2002, the Company's fleet of vessels consisted of four wetfish stern trawlers that were active in year-round harvesting of High Liner's groundfish Enterprise Allocations (EA's), and four offshore scallop vessels harvesting High Liner's scallop quota. As well, the Company has one surplus groundfish trawler that is held for sale and one additional offshore scallop vessel that is available for use, if necessary. The Cape Blomidon, the Company's only scallop trawler capable of freezing at sea, faced two new rivals in the frozen-at-sea scallop market during the fourth quarter of 2002. The Company has invested time in building markets and customer relationships for its high quality frozen-at-sea scallop products and plans to successfully compete with these new entrants in the frozen-at-sea scallop market.

In addition to its own fleet, High Liner Foods contracts with independent fishermen to harvest its groundfish EA's from time to time. During 2002, four independent vessels fished under the Company's licenses for at least part of the year.

High Liner Foods also procured Round Fish from inshore fishermen to augment production at its Arnold's Cove plant during 2002. There are no long term agreements with these inshore fishermen and the Company pays market prices at the time of purchase. Inshore fishermen in Newfoundland are unionized and prices are set on a seasonal basis between the union and the Fisheries Association of Newfoundland and Labrador, the processors' organization. During 2002, the Company procured 2,510 metric tonnes of inshore fish from fishermen in Newfoundland, which it pays for in Canadian currency. This compares with the 3,384 metric tonnes of inshore fish purchased from fishermen in Newfoundland in 2001.

The Canadian Federal Government under The Department of Fisheries and Oceans (DFO) manages the Atlantic Canadian fishing industry. The DFO establishes and enforces quotas and limits conditions under which Canadian vessels can fish within the Canadian Economic Zone. The Zone includes within its boundaries all major fishing areas off the east coast of Canada, with the notable exception of areas called the Nose and Tail of the Grand Banks of Newfoundland. These areas are under the jurisdiction of Northwest Atlantic Fisheries Organization (NAFO), which manages quotas of the fish stocks in these areas for its member countries.

The Atlantic Canadian fishery is divided into the inshore and offshore sectors. The Company participates in offshore operations, which are conducted year round. Primarily self-employed fishermen conduct inshore fishing operations, which are largely seasonal. The Company purchases raw material from the inshore fishermen, particularly in Newfoundland.

The Fisheries Resource Conservation Council of Canada (FRCC) includes representatives from all sectors of the Atlantic Canadian fishing industry. Based on scientific assessments and stakeholder consultation, the Council advises the Minister of

Fisheries and Oceans on total allowable catch (TAC) levels and management measures. DFO allocates on an annual basis the TAC for each species in each fishing area. For most stocks, the TAC is further allocated between the inshore and offshore sectors.

DFO has the authority to change the TACs and the share between the inshore and offshore sectors from time to time in consultation with the industry. The TAC for the offshore sector is allocated amongst eligible companies as EA's for each species and fishing area. EAs apply to both the groundfish and scallop fisheries.

Although DFO's method of allocating groundfish and scallop quotas, and the Company's annual share, has been largely stable since its introduction in 1983 and 1987 respectively, the Minister of Fisheries and Oceans has the right to make changes in either the TAC or the Enterprise Allocations, after consultations with industry participants and stakeholders. Since the introduction of a moratorium in the early 1990's, successive fisheries ministers have reaffirmed that historic fleet sector shares will be respected.

Regulations applicable to the Company provide for the registration of fishing vessels and fishers and for the issuance of licenses to catch specified species of fish. The Company's licenses that expired in 2002 have been renewed for 2003 and the Company expects that these licenses will continue to be renewed annually.

In 1996, the Federal Government put in place yearly access fees for the harvesting of various species. These are calculated on a per pound basis and must be paid prior to fishing. The Company paid total fees of $1.1 million in 2002 for groundfish and scallop licenses, and this amount is estimated to remain stable in 2003.

Groundfish Harvesting

Approximately sixteen companies participate in the offshore groundfish sector, and the Company is one of the largest. The following chart outlines the total Canadian quotas for both inshore and offshore groundfish fisheries. Haddock quotas have steadily increased since 1998, pollock quotas have remained relatively flat, and cod stocks have been decreasing over the last decade as a result of the cod moratorium placed on that fishery since 1992. Perch quotas have decreased during this time.

TOTAL CANADIAN GROUNDFISH QUOTAS (1998 – 2003)

Weight in Metric Tonnes (MT)

Species/Stock	1998	1999-2000*	2000-2001	2001-2002	2002-2003
Pollock	20,000	13,440	10,000	10,000	10,000
Haddock	12,000	13,701	13,500	15,100	14,841
Cod	37,924	52,843	36,769	32,989	27,151
Perch	10,604	17,583	9,640	7,712	7,712
Total	80,528	97,567	69,909	65,801	59,704

* Canadian quota 1999-2000 (15 months)

The chart below shows the total offshore quota available to Canadian companies and also outlines the portion of quota allocated to High Liner.

GROUNDFISH	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota (4)
2003-2004 (1)(2)	43,349	11,826	27.3%
2002-2003 (2)	43,872	12,957	29.5%
2001-2002 (2)	42,730	12,877	30.1%
2000-2001 (2)	39,856	12,171	30.5%
1999-2000 (3)	46,319	16,506	35.6%
1998	37,720	15,335	40.7%

(1) Projected
(2) Quota year is for the twelve months from April to March.
(3) In 1999, quota was for 15 months from January 1999 to March 2000.
(4) Quota changes affect some areas more than others resulting in the effect of varying the Company's overall percentage

In 2002, the Company sold 1,000 metric tonnes of quota, mostly pollock and flounder, to the Department of Fisheries and Oceans for the Government's aboriginal fisheries program. The Company's Enterprise Allocations are expected to remain stable in 2003 – 2004.

Scallop Harvesting

The offshore scallop sector has seven companies of which the Company is the third largest.

The major areas for offshore scallop fishing activity include Browns Bank, German Bank, Western Bank, St. Pierre Bank, Banquereau Bank, and Georges Bank. Georges Bank provides close to 74% of the volume. Scientific studies of Georges Bank reveal that the biomass has reached its maximum level in recent years. Evaluation of the research data has detected a lower level of pre-recruits, or scallops of age 2 (scallops are typically four years old when they reach a size appropriate for harvesting). As a result, in 2003 the TAC for Georges Bank will be decreased in an effort to reduce exploitation rates. This reduction will result in a 15% decrease in the Georges Bank TAC.

Scallop landings in 2002 were 1,355 metric tonnes, compared to landings of 1,440 metric tonnes in 2001. The Company's Enterprise Allocation for 2003 is forecasted to be 1,216 metric tonnes.

SCALLOPS	Canadian Offshore Quota (metric tonnes)	Company's Enterprise Allocation	Company's % of Canadian Offshore Quota
2003 (1)	7,450	1,216	16.32%
2002	8,650	1,412	16.32%
2001	8,950	1,461	16.32%
2000	8,750	1,428	16.32%
1999	5,350	873	16.32%
1998	5,350	873	16.32%

(1)Projected

US landings appear to have peaked during 2001 & 2002 and may be limited in the future as a result of a proposed US management plan that could impact the US fishery. Lower US landings would create a strong demand for Canadian scallops and hence improve market prices.

Multibeam imagery has had tremendous environmental and economic benefits in the scallop fishery. This technology was a joint industry-government innovation, and uses global positioning systems (GPS), electronic seabed mapping and electronic navigational equipment to help us "see" the ocean floor more precisely. During 2002 we used this technology in our George's Bank fishing area, after proving its effectiveness in previous years on the Browns and German Banks.

The technology reduces the effort required to catch each tonne of scallops. Comparing fishing results for the Company's German Bank fishery in 1998, pre and post implementation, shows that precise imaging reduced the length of time fishing gear was on the ocean floor by 73 %, thereby reducing its environmental impact. As well, fuel consumption was reduced by 36 %. Other benefits include the ability to use a lighter gear type. The increases in efficiency and the environmental benefits have exceeded expectations.

3.5 Seasonality

The Company's operating results by quarter fluctuate throughout the year. Operations in the first quarter are traditionally strongest as retailers promote seafood during the Lenten period. The first quarter is also typically the strongest period for groundfish harvesting and fresh fish sales.

The second and third quarters are more challenging as consumers spend more time outdoors, preferring not to use their ovens in summer. These quarters also have the poorest catch rates, highest fishing costs for our fleet, and the highest level of competition in the fresh fish market from inshore fleets.

The fourth quarter is ordinarily the second most profitable. Increased fall and winter fishing activity generates increased profits and several festive occasions occur during this time that help increase demand for seafood.

A summary of the Company's sales, income from operations, and net income for both total and on a per-share basis, for the eight most recently completed quarters as at December 28, 2002, is provided at page 41 of the Company's 2002 Annual Report.

3.6 Employee Relations

At December 28, 2002, the operations of High Liner Foods involve 1,274 active full-time employees split between the Packaged Foods and Fishing segments.

	Packaged Foods	Fishing Division	Total
Salary	265	64	329
Hourly	438	379	817
Crews & Captains	-	128	128
Total	703	571	1,274

High Liner Foods has 820 unionized employees in Canada who are represented under the following collective agreements:

	Union	Number of Employees	Contract Expiry Date
FISHING DIVISION			
Newfoundland Facility	Fisherman Food & Allied Workers	368	Dec. 31, 2003
Trawler Fleet	Canadian Auto Workers	47	Dec. 31, 2002
Scallop Fleet	Canadian Auto Workers	59	Dec. 31, 2003
Cape Blomidon	Canadian Auto Workers	33	Dec. 31, 2003
PACKAGED FOODS			
Nova Scotia Facility	Canadian Auto Workers	313	Dec. 31, 2002

A dispute with our scallop fleet crew during contract negotiations interrupted fishing operations in early 2002. Subsequently, scallop crewmembers signed a new collective agreement. The impact of the fishing disruptions on 2002 results was minimal.

The Company has not yet commenced negotiations on the labour contracts that expired at the end of 2002. Management believes it has good relations with its unionized employees and anticipates new contracts will be signed without disruptions in operations.

3.7 Environmental Management

The Company, its operations and properties are subject to extensive federal, provincial, state, municipal and local environmental laws and requirements in both Canada and the United States. These laws and requirements relate to, among other things, air emissions; the management of contaminants including hazardous material (including the generation, handling, storage, transportation and disposal of such contaminants); discharges and the remediation of environmental impacts (such as the contamination of soil and water, including ground water); just as in any manufacturing operation. A risk of environmental liabilities is inherent in food processing operations, activities associated with such operations, and the ownership, management or control of real estate.

All of High Liner Foods' 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 hazards and remediation requirements, and therefore maintenance of the freezers is a priority. The Company has a comprehensive emergency response plan in all facilities, and personnel are well trained and, where required, certified in hazardous materials handling. During 2001, two of the Company's

Lunenburg ammonia freezers were replaced as part of an ongoing commitment to reduce the risk of ammonia leaks from this equipment.

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 (CMMS), also 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.

In 2002, several environmental initiatives were undertaken in Lunenburg, the Company's largest production operation. Most notably, a waste diversion program began in 2002. All cardboard and plastic waste is now bundled for shipment to recycling plants instead of landfill sites.

Certain of the Company's wharf operations provide full maintenance service and fuel facilities for vessels. Each wharf has a series of operational systems that have been implemented to control environmental impacts relating to the operation of that wharf. The fuel facilities are registered and licensed by federal authorities. As a result of decreased demand for land-based vessel fueling operations, plans for 2003 include the removal of two large diesel storage tanks. This will reduce overall risk posed by the presence of fuel storage tanks.

As part of financing initiatives in 1997, Phase One environmental assessments of the Company's Canadian and United States' processing facilities indicated that there are no significant environmental issues to be addressed by the Company.

The Company has an employee Environmental Steering Committee and an Environment & Safety Committee of its Board of Directors. The mandate of the Environment & Safety Committee is as follows:

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 environmental protection requirements are integrated into its overall enterprise-wide risk management programs. In 2003, and in the near future years, management anticipates no material impact of such requirements on capital expenditures, earnings and competitive position. In 2003, $460,000 is budgeted to connect the Lunenburg plant sewage discharges to the Town of Lunenburg's new waste treatment facility and to reduce the water content in material sent to the area's landfill.

3.8 Reorganization and Write-Downs

In November and December of 1999 the Company reorganized its Canadian sales forces and its Lunenburg processing facility. This resulted in a pre-tax charge to income of $1.7 million, representing severance, early retirement and other costs. As well, the carrying value of property, plant and equipment in Louisbourg was written down by $3.0 million due to lower future cash flows expected from this property.

This reorganization, which resulted in reduced staffing levels in Canada, reduced ongoing annual operating costs by $2.5 million. The asset write-down reduced depreciation expense for each of 2001 to 2003 by $1.0 million.

During the fourth quarter of 2002, the Company closed its Lunenburg wetfish processing facility and recorded severance and other costs of $3.4 million, offset in part by a gain on asset disposals of $3.0 million. Closure of this facility is expected to increase pre-tax income in 2003 and future years by $1.5 million.

4. SELECTED CONSOLIDATED FINANCIAL INFORMATION

4.1 Annual Information

Reference should be made to the Nine Year Financial Data and Quarterly Financial Data tables in the Company's 2002 Annual Report, and incorporated by reference herein, which include sales, income from operations, net income, total assets, long term financial liabilities, dividends and other items for 2000 to 2002.

As described in the notes to the 2002 Consolidated Financial Statements and in the 2002 Annual Report, the Company changed the way it reports revenue, the ways it accounts for goodwill amortization, and the way it segments its operations. These changes could potentially hamper the comparison of financial information. However, these changes were adopted retroactively and comparative information in the Company's Consolidated Financial Statements, Nine Year Financial Data and Quarterly Financial Data have been restated. Section 4.2 below reflects the effects of these changes.

With respect to the most recent fiscal year ended December 28, 2002, reference should be made to the Company's Management's Discussion and Analysis and the Company's consolidated financial statements and notes thereto included in that same Annual Report to Shareholders.

The following selected financial information for the fiscal years ended 2001, 2000 and 1999 has been derived from the Company's audited consolidated financial statements and the notes thereto and from the Management Discussion and Analysis included in the annual reports of those years, as adjusted for the accounting changes described above.

4.2 Factors Affecting Comparability

Fiscal 2001 Compared to Fiscal 2000

Sales increased 6.1% in fiscal 2001 over fiscal 2000 due primarily to increased sales of pasta products, which increased by 21.4%, and sales of seafood by the US operations that grew by 15.8%. Canadian operations' sales increased slightly in 2001. Gross profit was 21.8% in 2001 versus 21.5% in 2000. Higher US sales and slightly lower costs in 2001 improved profitability. However, this was offset by lower profitability in the Fishing division as a result of lower market prices for scallops.

Interest expense in 2001 decreased $1.0 million. This was due to lower average debt balances and lower interest rates.

Working capital requirements (inventory and accounts receivable) increased in 2001 as a result of increased sales.

Fiscal 2000 Compared to Fiscal 1999

Sales increased 3.7% in fiscal 2000 over fiscal 1999 due primarily to increased sales of pasta products, which increased by 13.0%, and sales of seafood by the US operations that grew by 4.6%. Canadian operations' sales increased slightly in 2000. Gross profit was 21.5% in 2000 versus 17.2% in 1999. This increase was due to higher scallop landings in 2000; reduced pre-tax operating costs in 2000 of $2.5 million due to a reorganization of the Canadian operations in late 1999; avoiding significant costs incurred in 1999 as a result of processing seafood raw material that was not of optimal specification; slightly lower seafood raw material prices; a price increase in Canadian retail operations; and, lower promotional dollars spent to promote Italian Village products.

Interest expense in 2000 decreased $0.5 million. This was due to lower short-term debt, as lower inventory levels were outstanding in 2000. This was offset, in part, by higher interest expense on long-term debt due to higher average balances outstanding during the year that resulted from paying and Earn-out Sum as part of the Italian Village acquisition part way through 1999.

In 1999, the Company recorded a $5.9 million pre-tax gain on the sale of non-strategic assets and a $4.7 million pre-tax cost of reorganization of the Company's Canadian operations. During 2000, the Company did not have unusual transactions.

The Company recorded income taxes on its operations for fiscal 2000 of 40.3% compared to 22.8% in 1999. The 40.3% approximates the statutory rate. The 22.8% in fiscal 1999 is a tax expense, which results in a loss before income tax due to a capital transaction, which was not deductible for tax.

Working capital requirements decreased in 2000 as a result of a decrease in inventory. Cash flow improved in 2000 due primarily to improved earnings and the reduction in inventory. In 1999, the Company paid the Italian Village earn-out sum, which was financed principally by debt, and received cash from the disposal of non-strategic assets which was used to pay down bank debt.

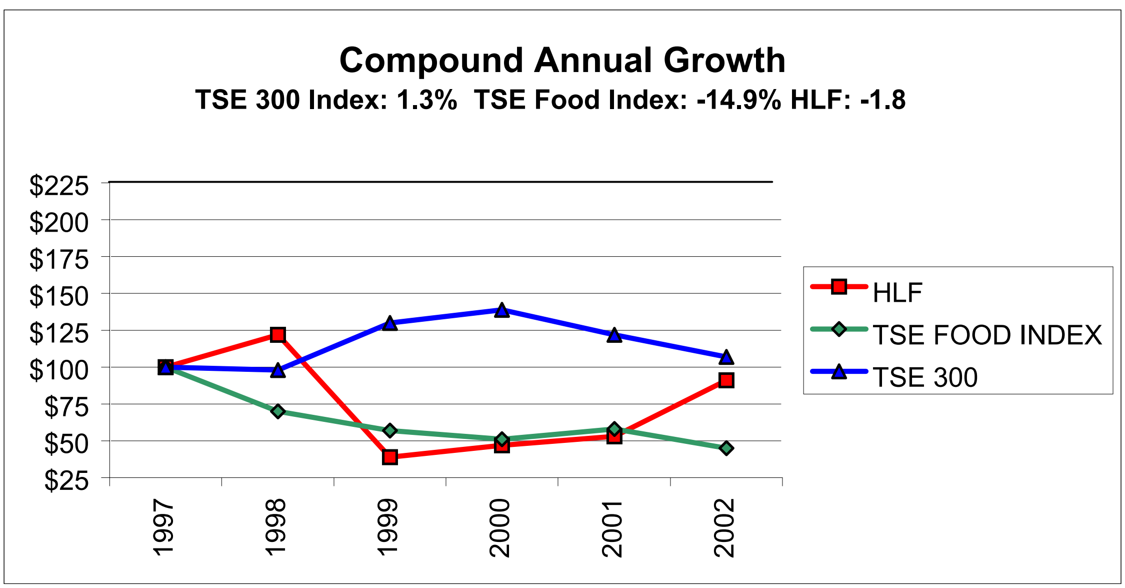
4.3 Dividend Policy

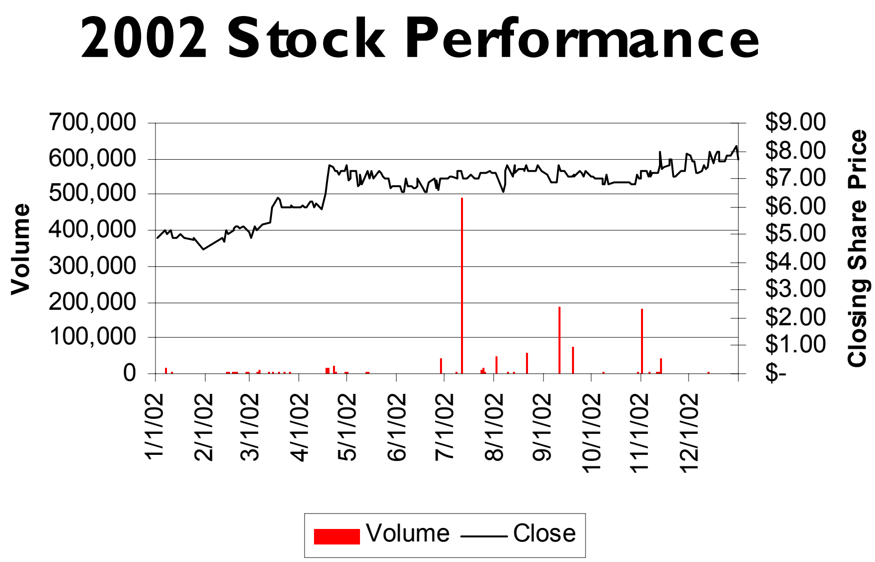
Dividends on the Company's Class C & D Preference Shares of $0.1 million were paid in full in 2002 and 2001. Dividends on the Second Preference Shares were also paid in full in the amount of $1.0 million for 2002 and $1.2 million for 2001. As well, dividends on the Second Preference Shares in the amount of $1.4 million were paid in 2002 on the dividends in arrears for the periods commencing December 31, 1991 and ending on December 30, 1992, and $0.8 million was paid in 2000 for the period June 30, 1991 to December 30, 1991. After this payment, dividends on the Second Preference Shares are in arrears at December 28, 2002 in the cumulative amount of $6.3 million, representing accrued dividends for the period December 31, 1992 to December 31, 1997. These arrears must be paid before any dividends can be declared on the Common Shares. Subject to cash flow, it is the Company's intention to pay current dividends in 2003 on all Preference Shares. There are at present no definitive plans to pay dividends in arrears on Second Preference Shares or on Common Shares.

5. MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of financial conditions and results of operations is contained on pages 13 to 25 of the 2002 Annual Report and is incorporated by reference herein.

6. MARKET FOR SECURITIES





The Company's Common Shares are listed for trading on The Toronto Stock Exchange under the symbol "HLF". The Company's Convertible Subordinated Debentures trade on The Toronto Stock Exchange under the symbol HLF.DB.

7. DIRECTORS AND OFFICERS

Information concerning directors and officers is contained under the heading "Election of Directors" in the Company's Information Circular accompanying the Notice of the Annual Meeting of Shareholders to be held on May 1, 2003. All directors proposed for nomination in 2003 were directors at the Company's fiscal year end on December 28, 2002.

The Board Committees and appointments to those committees as well as Directors' shareholdings are set out in the above referenced Information Circular.

8. ADDITIONAL INFORMATION

Additional information, including additional copies of this Annual Information Form, the 2002 Annual Report containing the comparative consolidated financial statements and accompanying report of the auditor, the most recent interim financial statements and the 2002 Management Information Circular for the Company's Annual General Meeting to be held on May 1, 2003, 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 2002 Management Information Circular, and additional financial information is provided in the Company's consolidated financial statements for 2002, contained in the Company's 2002 Annual Report.

GLOSSARY

CFIA: The Canadian Food Inspection Agency, a department of the Canadian Federal Government.

DFO: Canadian Federal Department of Fisheries and Oceans.

ENTERPRISE ALLOCATION (EA): A percentage share of the offshore quota of a fish stock allocated to a fishing enterprise by DFO.

EXPLOTATION RATES: The proportion of a population alive at the beginning of the year that is caught during the year.

FAO: Food & Agriculture Organization of the United Nations. FAO aims to promote long-term sustainable development of responsible fisheries and contribute to food security.

FISH BLOCK: A 7.5 kilogram block of frozen fish fillets, 6 centimetres thick, 25 centimetres wide and 48 centimetres long. The blocks are further processed by cutting into portions, and either breaded or battered, and packaged as fish portions, sticks or nuggets.

FREEZER TRAWLER: An offshore fishing vessel with facilities for freezing scallops or headed and gutted fish, with the capability of remaining at sea for extended periods.

GROUNDFISH: The species of fish which feed near the ocean bottom. The main species of groundfish harvested in Atlantic Canadian waters are cod, haddock, pollock, turbot, ocean perch (redfish) and a variety of flatfish such as American plaice, yellowtail, witch and sole.

HACCP: Hazard Analysis Critical Control Point, the underlying concept of the quality assurance program of the United States Government affecting food processing facilities.

HEADED AND GUTTED (H&G): Groundfish that has the head and entrails removed. It is often frozen and transported to other locations for further processing.

INSHORE SECTOR: The sector of the Atlantic Canadian fishing industry relating to the harvest of fish in waters 19 kilometres (12 miles) or less from the coast by vessels less than 30 metres (100 feet) in length.

NAFO: Northwest Atlantic Fisheries Organization.

OFFSHORE SECTOR: The sector of the Atlantic Canadian fishing industry relating to the harvest of fish in waters more than 19 kilometres (12 miles) from the coast, usually by vessels over 30 metres (100 feet) in length.

PACKAGED GOODS: The adding of value to primary seafood and other food products through the addition of batter, breading and other non-seafood ingredients, such as vegetables and cheeses. (Also called Prepared Foods Processing.)

PELAGIC: The species of fish which feed near the surface of the ocean. The main pelagic species harvested in Atlantic Canadian waters are capelin, herring and mackerel.

PRIMARY PROCESSING: The processing of fish (filleting and skinning) into marketable seafood products without the addition of non-seafood ingredients. (Also called Wetfish Processing)

PRIVATE LABEL: The in-store or "house" labels of grocery retailers.

QMP: Quality Management Program, a quality program of the Canadian Federal Government equivalent to HACCP.

QUOTA: An allocation of the total allowable catch to various fishing sectors, such as each of the offshore, inshore and foreign sectors.

RECRUITMENT: The age at which fish are old enough to be harvested.

ROUND FISH: A loose term in fisheries statistics meaning either the weight of the fish when caught, when referring to total allowable catch, or to the gutted weight when used in plant yield calculations (the latter is also called landed weight).

TOTAL ALLOWABLE CATCH (TAC): The annual determination of the total catch level made by DFO for each species of fish based upon the advice of scientists according to management criteria that seek to ensure the size and stability of the fish population.

TWO HUNDRED MILE ECONOMIC ZONE: The area of exclusive jurisdiction exercised by Canada over the fisheries resources of its coastal waters, as recognized by the United Nations Law of the Sea Convention since January 1, 1977.

WETFISH TRAWLER: An offshore fishing vessel that preserves its catch for up to two weeks by storage in ice.

YEAR CLASS: Identifies fish and scallops by year in which they were spawned.

For more information about seafood, including many definitions, please refer to www.aboutseafood.com.