ANNUAL INFORMATION FORM (AIF)
FOR THE YEAR ENDED December 31, 2011

(All amounts are in Canadian Dollars unless otherwise expressed)

March 16, 2012

www.highlinerfoods.com
investor@highlinerfoods.com
902-634-8811

TABLE OF CONTENTS

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. References to the fiscal years 2009, 2010, and 2011 are to the 52 weeks ended January 2, 2010, the 52 weeks ended January 1, 2011and the 52 weeks ended December 31, 2011, respectively.

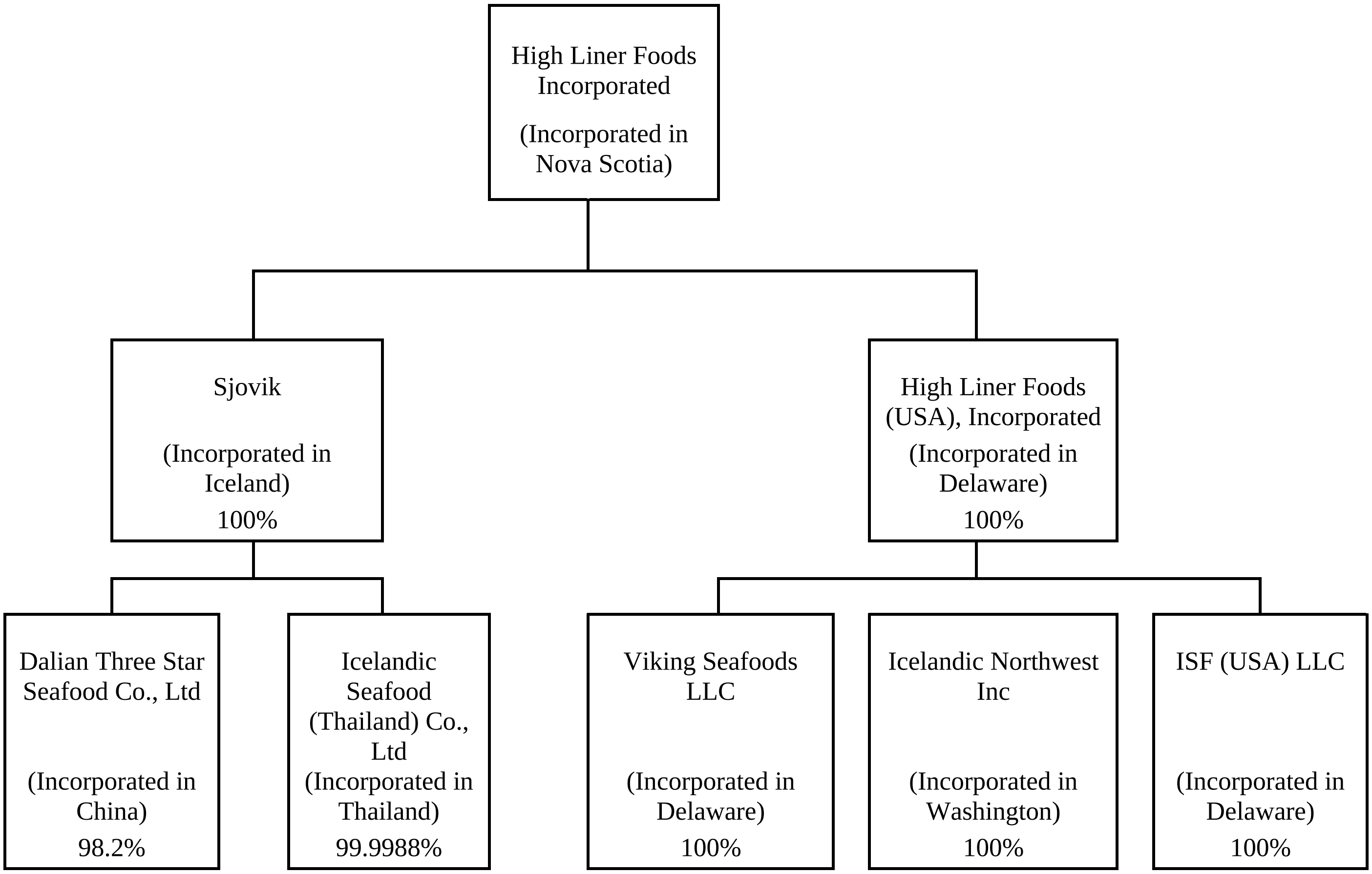
1. CORPORATE STRUCTURE

1.1 Name and Incorporation

High Liner Foods Incorporated is a Nova Scotia company, amalgamated under the *Companies Act* of Nova Scotia. Our 111-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 with its registered office in Lunenburg, Nova Scotia, and operating incorporated subsidiaries, High Liner Foods (USA), Incorporated and its subsidiaries, Viking Seafoods, LLC, and ISF (USA), LLC with its registered head office in Portsmouth, New Hampshire. In addition, the Company owns other subsidiaries that are responsible for procuring product for ISF (USA) LLC.



Our Canadian retail and food service businesses are headquartered in Toronto, Ontario, with regional sales offices in Calgary, Montreal, Vancouver and Halifax. We operate food-processing plants in Lunenburg, Nova Scotia and Burin, Newfoundland and Labrador. These businesses distribute frozen seafood throughout Canada.

Our U.S. retail and food service businesses are headquartered in Danvers, Massachusetts, and we operate facilities in Danvers, Malden, Peabody, Massachusetts as well as Portsmouth, New Hampshire and Newport News, Virginia. These businesses distribute frozen seafood throughout the United States and Mexico.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 <u>Corporate Profile</u>

High Liner Foods Incorporated (HLF-TSX and HLF.A-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 and is currently building recognition in the U.S. market.

2.2 Three Year History

Seafood Operations

During the past three years we have focused on our vision to be the North American leader in frozen value-added seafood by increasing the sales, profits and market share of our major brands, *High Liner*, *FPI*, *Mirabel*, *Fisher Boy*, *Sea Cuisine*, *Royal Sea*, and *Viking.* We are one of the largest value-added frozen seafood suppliers in North America. Increasing market share for our brands has been a challenge, primarily due to the long-standing dominant position of *High Liner* in Canada, and the strength of private label products. However, we have benefited from the strength of private label as we are the largest producer of processed breaded and battered private label seafood products in North America. High Liner Foods continues to dominate the Canadian frozen seafood category and is a key participant in the U.S. food service market. As a result of the Icelandic USA Acquisition (as defined below under the subheading "The Icelandic USA Acquisition"), we have acquired a portfolio of value-added food service products and brands to strengthen our U.S. food service business. These include *Samband, Seastar* and *Seaside.* We have also licensed the *Icelandic Seafood* brand for North American markets.

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.

Our Canadian retail business has built its business in recent years developing a line of premium quality family sized products and introduced new uncoated products into the seafood departments of Canadian grocery stores. Entering the seafood department increases our brand presence in grocery stores to two departments: the frozen food aisles and the seafood department. The FPI business strengthened the efforts in this area with the Mirabel frozen shrimp brand of products.

In the U.S., new product development has focused on premium quality seafood products that are sold both in the frozen section of seafood departments or in the deli under the *Sea Cuisine* brand. Club stores have also benefited from our product development expertise and has grown our share of the value added business with all of the major club stores.

In our U.S. food service business we have successfully launched *Upper Crust* in 2004, *Pan Sear* in 2006 and more recently *Fire Roasters* in 2010. These products, that are not available from our competitors, are high quality, ready to cook entrees that are popular with restaurant operators that do not want to do the preparation work in their own kitchens. These products have also been successful in Canadian Food Service and *Fire Roasters* were launched in Canada in 2011. New lines of private label fillets have also been launched in the U.S. market that expand our relationships with existing customers.

The Icelandic USA Acquisition

On December 19, 2011, High Liner Foods acquired Icelandic Group h.f.'s U.S. subsidiary, Icelandic USA (renamed ISF (USA), LLC) and its Asian procurement operations (herein referred to as the "Icelandic Acquisition". The assets included in the acquisition are the shares of Icelandic USA, Sjovik and Icelandic Northwest, including Sjovik's subsidiaries, Dalian Three Star Seafoods (China) and Icelandic Thailand. Real estate includes a plant in Dalian, China and a plant and cold storage facilities in Newport News, Virginia. High Liner Foods has acquired several brands in connection with the acquisition and in addition has agreed to a seven-year royalty-free licensing agreement with Icelandic Group for the use of the *Icelandic Seafood* brand in the United States, Canada, and Mexico. High Liner Foods has also structured a long-term distribution agreement with Icelandic Group that will ensure that producers in Iceland will continue to have the same access to the U.S. market as they do today and that High Liner will continue to be able to supply its customers with high-quality fillets from Iceland under the *Icelandic Seafood* brand.

High Liner Foods filed a Business Acquisition Report in *Form 51-102F4* dated March 16, 2012 that includes all of the information required by Part 8 of *National Instrument 51-102*. The Form can be found at www.sedar.com.

The Icelandic USA Acquisition is expected to be a good fit with High Liner Food's existing U.S. operations as it will allow the Company to address a larger consolidated customer base through stronger purchasing power. The Acquisition also provides the Company a more efficient supply chain with stronger product development capabilities. The total purchase price paid for the Icelandic Acquisition was US$232.7 million. In addition, finally agreed upon seasonal working capital adjustments were US$13 million.

The Viking Acquisition

On December 13, 2010 High Liner completed the purchase of the business, trade names and equipment of Viking Seafoods, Inc. (herein referred to as the "Viking Acquisition") of Malden Massachusetts, and entered into a 5 year lease for the plant. This acquisition was aligned with our strategy of becoming the leader in value-added frozen seafood in the North American market. The Viking Acquisition doubled High Liner's production of value-added products for the U.S. food service distributors' market. Additional details are included in note 4 to our fiscal 2011 financial statements.

Joint Venture

Early in 2010, High Liner Foods entered into a 50% joint venture, HighKan Holdings Limited (HighKan), registered in Hong Kong. HighKan in turn became an 80% shareholder in a Chinese registered company, Dencan Seafood Company Limited (Dencan). Dencan operates a leased primary fish processing facility in China.

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, superior procurement expertise, and providing leadership in the seafood category, we expect to 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, is also a key element in our strategy.

2.4 Growth Strategy

High Liner Foods will pursue growth in two areas:

Growth in Core Markets: We plan to continue to grow our seafood businesses in Canada, the United States and Mexico in traditional retail, club and food service channels. New product introductions, as well as the introduction of new species, are an integral part of this strategy. Gaining additional sales volume with existing customers by providing them with a wider range of seafood products is also an important growth initiative.

***Acquisition of Frozen Seafood Businesses*:** Although organic growth is an important 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, procurement, 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. The Icelandic Acquisition and the Viking Acquisition, represent important milestones in achieving our strategy, as we are the clear market leader in both the retail and food service channels in Canada, and now one of the leading suppliers of frozen seafood in the U.S. food service channel. The acquisitions strengthen our position is the U.S. food service channel to where we are the leading supplier of value-added products to this important segment.

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, and through distributors to hotels, restaurants and institutions (such as health care and educational organizations). In Canada, we market the majority of seafood products under the *High Liner*, *FPI*, *Mirabel* and *Royal Sea* trademarks, and in the United States under the *FPI*, *High Liner*, *Mirabel*, *Sea Cuisine*, *Fisher Boy*, *Viking*, and more recently the *Icelandic Seafood* (under a licensing agreement), *Samband of Iceland*, *Seastar*, *and Seaside* trademarks. We also sell products to Mexico under the *Fisher Boy*, *Sea Cuisine* 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, cooked shellfish and value-added products such as sauced, glazed, breaded and battered seafood, breaded cheese sticks, entrees, and breaded chicken. The more significant trademarks and product names are shown below.

Canada Brands	**USA Brands**	**USA Tag Lines**
40 Fathoms ®	Captain High Liner ®	A New Wave In Seafood ®
Captain High Liner ®	Caribou ®	Catching Delicious Every Day ™
Fishery Products International ®	Fisher Boy ®	Fisher Boy a Great Catch ®
FPI & Design ®	Fishery Products International ®	From the Icy Cold Waters of Newfoundland ®
FPI ®	FPI & Design ®	Our Seafood Your Signature ™
High Liner ®	High Liner ®	Pelican Designs ®
High Liner Foods ®	Mirabel ®	R.E.S.P.E.C.T. Our Planet, Our Promise ®
Maritimer ®	Sea Cuisine ®	Seafood Is Smart Food ®
Mirabel Brand ®	Samband of Iceland ®	Telly The Pelly ®
Royal Sea ®	Seastar ®	The Fish that Breaks the Rules ®
Seafresh ®	Seaside ®	We Bring The Fun to Fish ®
	Viking ™	We Catch Customers For You ®
		We Sea What's Next ™

Canada Sub Brands	**USA Sub Brands**	**Mexico Brands**
Bake'N Broil ®	Bake 'R Broil ®	Captain High Liner ™
Bam Bam Evercrisp ™	Big Bob's Belly Buster ™	Fisher Boy ®
Battercrisp ®	Brewer's Choice ®	Fishery Products International ®
Blazin' Buffalo ®	Blazin' Buffalo Shrimp ®	High Liner ™
Captain Burger ® / Burger du Capitaine ®	Blazin' Redfish ®	Viking ™
Captain's Catch ® / La Prise du Capitaine ®	Boston Batter ®	Samband of Iceland ®
Captain's Chicken ® / Poulet du Capitaine ®	Breaded Naturals ®	Seastar ®
Captain's Fish 'n Fries ® / Croque-Capitaine ®	Captain Longboat ®	**Mexico Sub Brands**
Catch o' the Day ®	Captain's Classics ®	
Catch of the Day ®	Captain's Cut ®	Catch of the Day & Design ®
Coastal Classics ™	Cape Crunchers ®	FireRoasters ®
Dip't & Dusted ®	Certified Lake Pure TasteTilapia ®	Fishmates ®
Flame Savours ™	Chef Saute ™	Fun Fish ®
FireRoasters ™	Coastal Classics ®	Pelican Designs ®
FPI Ice Shrimp ®	Cool Cats ®	PescAritos ™
Healthy Bake ® / Cuisson Santé ®	Crispy Style ®	Sea Cuisine™

Healthy Tonight ™
High Liner Selects ™
High Liner Signature ™
Krunchies ®
Light Tonight ®
Market Cuts ™
Oven Crunch ®
Pan-Sear Selects ®
QuickSteam ®
Salmon Elites ®
Sea Cuisine & Design ®
Sea Cuisine ™
Seafood Elites ®
Sole Elites ®
Tiki Island Shrimp ™
Upper Crust ™

Canada
Tag Lines

Always a Wise Catch ® / Toujour une bonne prise ®
Catch the Wave ®
Ce soir, on mange desfruits de mer! ®
Eating Healthy Never Tasted So Good ®
It’s a Good Night For Fish ®
It's a Good Night For Seafood ®
Manger sainement n'a jamais eu aussi bon gout! ®
R.E.S.P.E.C.T. Our Planet, Our Promise ®
R.E.S.P.E.C.T. Notre Planete, Notre Promesse ®
Votre partenaire dans la resussite ®
We Catch Customers For You ®
We're There ®
Your Seafood Specialists ®

Currents ®
Elegant Entrees ®
Fish Munchies ®
FireRoasters ®
Fun Fish ®
Gloucester Style ™
HealthyBake ®
Icelander Form'd Fillets ®
Island ®
Mandarin ®
Nordic Style ™
Ocean Maid ®
OvenCrunch ®
Pan-Sear Selects ®
Pier 17 ™
Quicksteam ®
Quick Stix ®
Scribbles ®
Scroddles ®
Seacrisp ®
Sea Cuisine & Design ®
Seafit ®
Sea Nuggets ®
Sea Portions ®
Sea Strips ®
Seafood Elites ®
Sergeant Peppers ®
Shrimp-Mates ®
Shrimpanadas ®
Simple Serv ®
South of the Boarder ™
The Cold Squad's Friday Night Fish ®
Tiki Island Shrimp ®
Tilapia Tonight ®
Uppercrust ®

Sea Strips ®
Sea Wonders ®
Shrimp-Mates ®
Telly The Pelly ®

Mexico
Tag Lines

We Bring the Fun to Fish ™

In the United States, High Liner has filed a patent application for a new processing method for the recently launched *FireRoasters* product.

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

	2011	2010
Canada	44%	51%
United States (including Mexico)	56%	49%

On a pro forma basis, the Icelandic Acquisition would increase sales in the United States to 69% and Canada would decrease to 31%.

United States

In the U.S., frozen retail seafood including shellfish is the fifth largest category in the retail frozen food market, and accounted for sales of US$2.9 billion in 2011,[1] a decrease of 1.1% 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 Foods competes principally in the breaded and battered and the prepared segments in the United States.

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 2011, approximately 41% of our U.S. dollar seafood sales to the retail frozen food market (excluding club stores) were private label products compared to 45% a year ago. This is indicative of the increased distribution of both *Fisher Boy* and *Sea Cuisine* branded products in the prior year and the lack of growth in private label brands. 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* and *Sea Cuisine* differentiates these brands from their competition as *Fisher Boy* is the family-friendly, value brand and *Sea Cuisine* is the restaurant quality premium brand.

As part of our strategy to improve the competitive position of our U.S. retail products, we have transitioned *Fisher Boy* products to a sub brand under the *High Liner* brand. *Fisher Boy* packaging features the *High Liner* logo alongside the current *Fisher Boy* logo.

The introduction of *High Liner Sea Cuisine*, sold mostly in the fresh seafood department's freezer cases of major chains and in club stores, opens up new possibilities to extend our product lines in U.S. retail markets. Our U.S. subsidiary is also a leading seafood supplier to Mexico, where it markets products under the *Fisher Boy*, *Sea Cuisine* and *High Liner* brands and co-packs for other distributors.

On December 20, 2007, High Liner Foods acquired the marketing & manufacturing group of FPI Limited (herein referred to as the "FPI Acquisition"). The FPI Acquisition added the leading food service business of Fishery Products International, which is one of the top frozen seafood suppliers

[1] Market share is estimated by IRI® (Information Resources Inc.), which tracks all grocery stores, including Walmart and excluding club stores and deep discounters with sales of U.S. $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.

to the U.S. food service channel. This business delivers a wide range of seafood products to leading food service operators under the *FPI* and *Mirabel* brands in the multiple restaurant segments, to broad line food service distributors, and to specialty seafood distributors. This business has a particularly strong track record of product innovation, and we intend to leverage this strength across the U.S. operations. The Viking and Icelandic acquisitions have increased the production of value-added seafood products for the U.S. food service channel and High Liner is now the largest supplier of these products to this channel. The Icelandic Acquisition adds complementary product lines, especially in its industry-recognized beer batter products and its line of premium "Product of Iceland" fillets.

Canada

In Canada, frozen seafood, including shellfish, is the second largest category in the retail frozen food market, and accounted for consumer sales of $677 million in 2011, up 0.7% versus 2010.[2]
Our Canadian division markets a full range of frozen fish fillets, breaded and battered fish sticks and portions, and premium sauced fillets under the *High Liner*, *FPI*, and *Mirabel* brands. 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.

We have continued to supply our club store segment in Canada with our *Royal Sea* and *High Liner* brands which makes us a leader in this category. The combination of FPI's Canadian food service business with High Liner Foods also makes for an industry leader in most species and product forms.

3.2 Production Facilities

High Liner Foods has processing plants in Burin Newfoundland and Labrador, Lunenburg Nova Scotia, Portsmouth New Hampshire, Danvers and Malden Massachusetts, Newport News Virginia, and Dalian China with distribution centres and a sales organization across both Canada and the United States. Significant distribution centres are located in Peabody Massachusetts, Newport New, Virginia, Lunenburg Nova Scotia, Brampton Ontario and Edmonton Alberta. The Company utilizes a combination of Company-owned and third party managed cold storage facilities.

[2] Market share is estimated by ACNielsen® which tracks all Canadian channels, which include grocery, drug, mass merchandise, general merchandise and warehouse clubs. The category reported here is total frozen fish, which excludes all seafood entrees.

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

LOCATION	TYPE OF PRODUCTION	ANNUAL CAPACITY*	CAPACITY UTILIZATION*
Lunenburg, NS	*Prepared Seafood*	31,000,000	79%
Portsmouth, NH	*Prepared Seafood*	72,000,000	93%
Burin, NL	*Prepared Seafood*	25,000,000	32%
Danvers, MA	*Prepared Seafood*	64,000,000	42%
Malden, MA**	*Prepared Seafood*	41,000,000	34%
Newport News,VA	*Prepared Seafood*	85,000,000	65%
Dalian, China	*Primary Processing*	15,000,000	86%

* In pounds; based on the production of finished pounds, on two shifts of forty hours each for 5 days per week. The above calculations are the theoretical maximum capacity assuming that all product lines are producing at maximum and ignores seasonal differences.
** Leased facility.

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 food safety system known as HACCP (Hazard Analysis Critical Control Point). Our seafood processing plants in the United States are HACCP approved.

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 Foods' QMP has been approved and is 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 operate 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 Foods has a representative office in Qingdao, China, and employs procurement and quality control experts to oversee our procurement activities in Asia. High Liner Foods' North American quality personnel also travel to China to supervisor activities overseas.

In addition to the above, our facilities are subject to a variety of independent audits as required by our customers. Five of our manufacturing facilities are certified to the Global Food Safety Initiative (GFSI) standards. Four have Safe Quality Foods (SQF) certifications, and the fifth is certified to British Retail Consortium (BRC).

In early 2010 High Liner Foods entered into a 50% joint venture, HighKan Holdings Limited (HighKan), registered in Hong Kong. The joint venture partner is a supplier who supplies raw material to the venture. HighKan is an 80% shareholder in a Chinese registered company, Dencan

Seafood Company Limited (Dencan). Dencan operates as a leased primary fish processing facility in China. Dencan procures raw material from the third party joint venture partner and sells the majority of its production to High Liner Foods for sale in the North American market. The products consist principally of raw groundfish fillets.

As part of the Icelandic Acquisition in December 2011, the facilities acquired include a plant in Dalian, China and a plant and cold storage facility in Newport News, Virginia Icelandic Seafood (Thailand) Co. Ltd. overseas operations in Southern Asian at third party suppliers.

3.3 Competitive Conditions

The Company has developed specialized skills in the procurement and processing of seafood and in the development of products for our various markets.

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), Trident Seafoods Corp. (Canada and U.S.) and Aqua Star (Canada). Private label products also compete with our brands and account for as much as 40% 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 in the United States include, Clearwater Fine Foods Inc., Trident Seafoods Corporation, American Seafoods, Nippon Suisan (owning King & Prince in the U.S.), Ocean Beauty, Aqua Star, Red Chamber, Beaver Street Fisheries Inc., Pacific Seafood Group and many smaller trading companies. Canadian competitors include Toppits Quality Frozen Foods, Export Packers Company Limited, Clearwater Seafoods and Trident Seafoods Corp., and many smaller trading companies. In the food service market, continuity of supply, customer service, and price are the major components 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 Foods held 37.9%[3] of the frozen packaged seafood market for the 52 weeks ended December 17, 2011, down 2.2% from a year ago primarily due to the impact of price increases, especially on uncoated salmon products. The Company's food service business enjoys a leading market position in the processed seafood category in Canada and we are now the leading provider of frozen seafood in this channel. 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.

[3] Market share is estimated by ACNielsen® which tracks all Canadian channels, which include grocery stores, distributors, mass & general merchandisers and club stores/warehouses, and is measured in pounds. The category reported here is total frozen fish, which excludes all shellfish and entrees.

According to a 2011 frozen food study by ACNielsen®, seafood is the 2nd largest frozen food category in Canada, and High Liner Foods is the largest seafood company in Canada.

In the U.S., *Fisher Boy* brand sales are principally breaded products, mostly fish sticks. For the 52 weeks ended December 31, 2011 *Fisher Boy* held 21.9%[4] of the United States' national consumption for fish sticks, up 1.3 share points from 2010. The Company's market share of the total frozen seafood category in the United States is 2.6%[5] for the same 52-week period, up slightly over 2010. *Fisher Boy* is a leading brand of fish sticks at the world's largest retailer. *Fisher Boy* is also a leading brand in Mexico City.

In the U.S. *High Liner* is gaining recognition as the umbrella brand to *Fisher Boy* and *Sea Cuisine*. *High Liner* and *Sea Cuisine* account for a 4.1%[6] share of the prepared seafood category consistent with the prior year. This segment is highly fragmented, with no significant leader.

3.4 Components – Procurement of Raw Materials and Finished Goods

High Liner Foods is dependent on its seafood procurement activities. We continue to increase procurement of commodity seafood products, either as raw material or finished goods, and including the latest acquisition, High Liner Foods' procurement team purchases approximately 200 million pounds of approximately 30 different species annually with an approximate value of US$600 million from 20 different countries.

The major species we procure by specie accounting for approximately 87% of our total dollar purchases are as follows:

Shrimp*	17.4%
Cod	13.5%
Cod Pacific	12.3%
Haddock	12.0%
Salmon	9.5%
Alaskan Pollock	8.4%
Tilapia	8.3%
Sole/Flounder	5.1%
Top 8 as a percent of total $ purchases	86.5%

**Includes Black Tiger, White and Cold Water Shrimp*

[4] Market share is estimated by IRI® which tracks all grocery stores, including WalMart and excluding club stores and deep discounters with sales of US$2.0 million or more and is measured in pounds. The category reported here are fish sticks.
[5] Market share is estimated by IRI® which tracks all grocery stores, including WalMart and excluding club stores and deep discounters 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 un-breaded, but excludes seafood entrees.
[6] Market share is estimated by IRI® which tracks all grocery stores, including WalMart and excluding club stores and deep discounters with sales of US$2.0 million or more and is measured in pounds. The category reported here is prepared seafood.

The Icelandic Acquisition, with the procurement operations in Asia, has strengthened the Company's procurement activities. It adds approximately 60 million pounds of procurement worth $185 million, provides the Company with a state of the art facility in Dalian for the processing of groundfish, and an office in Thailand that overseas third party processing in Southern Asia. It also provides access to a supply of product from Iceland which will allow the Company to expand the distribution of this product in the marketplace. Icelandic has traditionally been strong in haddock, cod and pollock procurement and this compliments the existing procurement base of High Liner Foods.

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 operate 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 or for sale.

Our foreign representative office in Qingdao, China, and more recently in Bangkok, Thailand, employ procurement and quality control staff to oversee our procurement activities in Asia. High Liner Foods' 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. dollars. From time to time, depending upon market conditions, we take inventory positions to ensure that we have sufficient raw materials at acceptable costs. High Liner is an important customer to most of its suppliers, and as a result of the acquisition in December, we will be the largest buyer of cod and haddock in the world.

The long-term global demand for fish and seafood continues to grow. The catch of wild fish has stabilized at around 90 million tonnes, which represents approximately 60% 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 FAO[7] in 2011 along with estimates of panelists delivered at the 2011 Groundfish Forum, an industry group that meets once a year to discuss the world seafood industry. These groundfish species are very important to the Company's ongoing supply. There have been encouraging increases in quotas in many fisheries including Barents Sea cod and haddock, Russian Alaska pollock, New Zealand hoki and Baltic Sea cod. Most of these fisheries have been managed cautiously for many years. The quota increases demonstrate a return to healthy stock levels in many of these fisheries.

High Liner Foods has made a commitment to source all of its seafood from certified sustainable or responsible fisheries and aquaculture farms by the end of 2013. With this commitment, High Liner Foods will require wild-caught seafood and farmed products to either come from fisheries and

[7] Food & Agriculture Organization of the United Nations.

aquaculture farms certified as sustainable or require those suppliers not certified to be on a clear, defined path toward being sustainable and capable of documenting measurable improvements. High Liner Foods will collaborate with its NGO partner, the Sustainable Fisheries Partnership, to achieve these objectives.

Exhibit 1
Global Overview: Total Catches

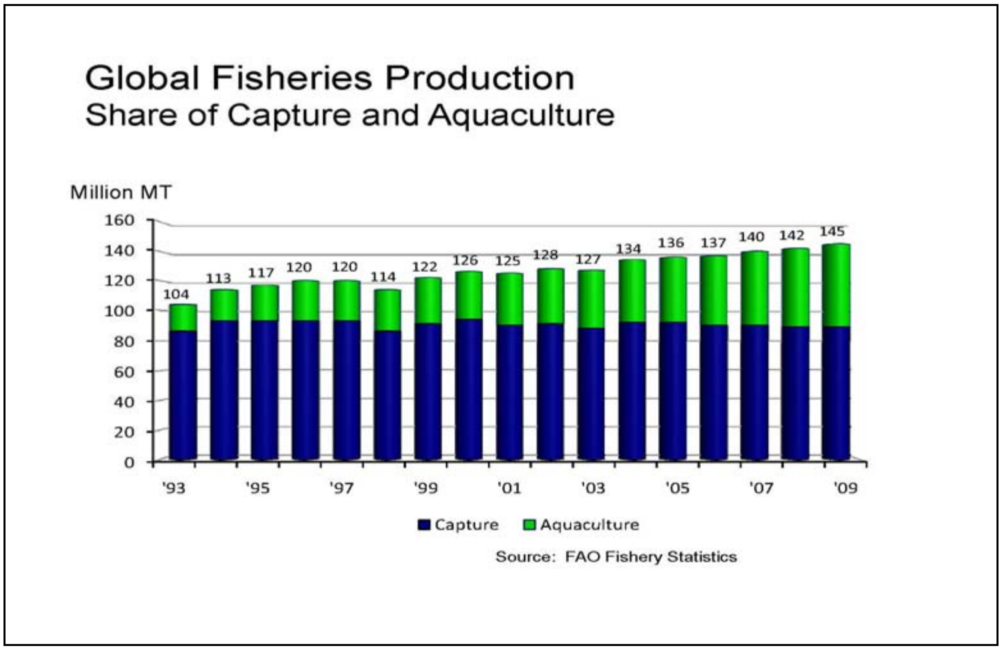
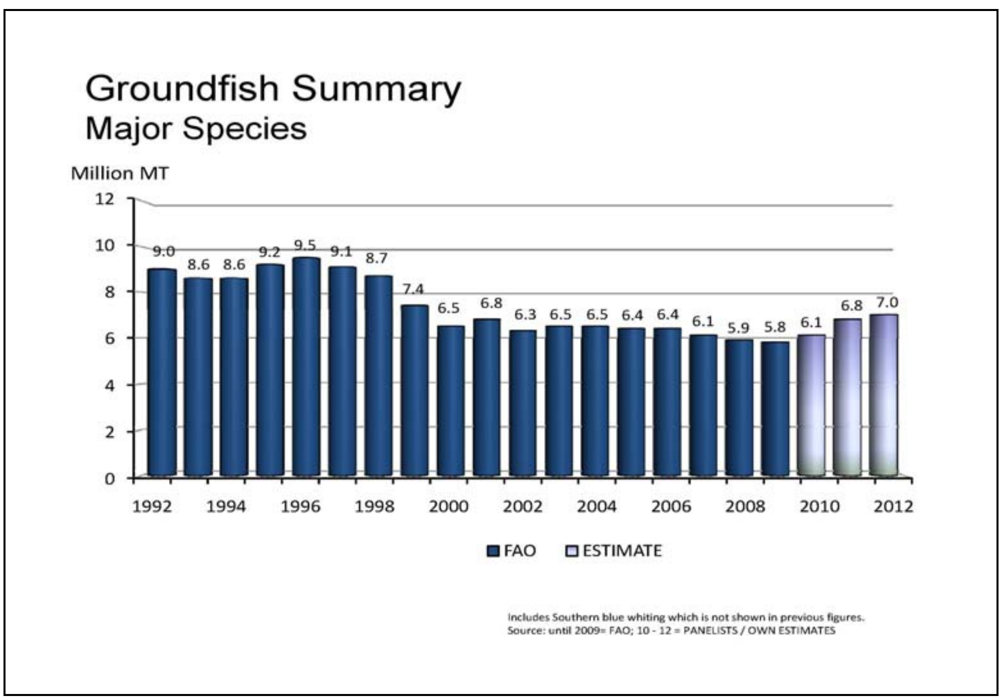


Exhibit 2
Global Groundfish Summary
10 Major Species



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.

The total supply of seafood continues to increase because of significant increases in aquaculture. Globally, there has been considerable development in the aquaculture industry both in finfish and mollusk species. This trend is expected to continue. We currently procure aquaculture products, including warm water shrimp, tilapia, basa, mussels, scallops and Atlantic salmon. Our strategy is to increase the procurement of aquaculture products in the future as we continue to expand shrimp, tilapia and basa sales and investigate the feasibility and profitability of using more aquaculture species. As a result of the FPI Acquisition we have gained additional expertise in the procurement of aquaculture products, especially shrimp.

Despite procuring aquaculture products, the vast majority of our seafood product sales are from wild caught fish. . Aquaculture accounted for 27% of our sales in 2011.

For a detailed description of the risks associated with commodity prices and currency fluctuations in relation to procurement of raw materials, refer to the Management's Discussion & Analysis for the year ended December 31, 2011.

3.5 Seasonality

High Liner Foods' operating results by quarter fluctuate throughout the year. A detailed discussion as to how seasonality affects the company's operations can be found on page 36 of the Management's Discussion & Analysis for the year ended December 31, 2011.

A summary of sales, income from operations, and net income for both total and on a per-share basis, for the eight most recently completed quarters ending December 31, 2011, is provided at page 37 of the Management's Discussion & Analysis for the year ended December 31, 2011.

3.6 Employees

At December 31, 2011, the operations of High Liner Foods, including the Icelandic USA Acquisition, involve 1,903 active permanent employees as follows:

	Total
Salary	600
Hourly	1,303
Total	1,903

Employees by county are: 549 Canada, 960 USA, 381 China, 7 Thailand, and 6 in Iceland. High Liner Foods has approximately 183 unionized employees in its Lunenburg facility who are represented by the Canadian Auto Workers union and approximately 159 unionized employees in its Burin facility represented by the Fish and Food Allied Workers union. Both the Lunenburg and Burin collective agreements were recently renegotiated and have expiry dates of December 2014 and December 2012 respectively. We believe we have good relations with our unionized employees and anticipate no disruptions in operations in 2012. The hourly workers in Portsmouth, Danvers, Malden, Newport News, and Dalian are not unionized.

3.7 Effect of Volatility of Canadian Dollar

Over the period 2009 to 2011 the average annual Canada / U.S. exchange rate has been more volatile then in previous periods. The chart below shows the rate used to translate self – sustaining U.S. operations in the annual financial statements.

	2011	2010	2009
Balance Sheet Rate – Year End	1.0170	0.9946	1.0466
Income Statement – Average Year	0.9891	1.0300	1.1405
Percent Change – Year End / Average Year	2.25% / -3.97%	4.97% / 9.69%	-13.5% / -7.2%

This had a significant impact on the conversion of U.S.-dollar income statement items to Canadian dollars. It had the effect of changing our reported sales, cost of sales and other line items in the income statement. However, it also impacted the cost of raw materials for products sold in Canada, as these are purchased in U.S. dollars. This has the effect of increasing or decreasing our Canadian dollar costs of seafood in the Canadian market. Increases in costs due to a weakening Canadian dollar not offset by a reduction in the U.S. dollar purchase price of seafood need to be passed on to customers. A changing Canadian dollar also impacts all line items in the balance sheet and income statement, which will have an impact on EBITDA and net income. A more complete description of the impact of foreign exchange on the Company is included in the 2011 Management Discussion & Analysis.

The table below shows Company sales assuming a constant exchange rate of par between the Canadian and U.S. dollar, and calculates the growth in sales in domestic currency.

	2011	2010	2009
($000s)			
Sales as reported	**668,589**	**584,715**	**627,186**
Less foreign exchange effect	3,704	(8,973)	(42,326)
Sales in domestic currency	**672,293**	**575,742**	**584,860**
Growth excluding FX effects	16.8	-1.6%	-1.7%
Average FX rate (US/Cdn)	0.9891	1.0300	1.1405
Average FX rate (Cdn/US)	1.0110	0.9709	0.8768

3.8 Social and Environmental Policies

The Company's food processing plants are subject to Federal, Provincial 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, Danvers and Malden plants. In Canada, provincial legislation and Workers Compensation Boards play an active role in monitoring health and safety in our workplaces.

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

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

Each facility has a preventative maintenance program that is monitored and upgraded as required. Currently, the Lunenburg, Portsmouth and Danvers plants operate computerized maintenance management systems. These PC-enabled programs allow our maintenance teams to closely monitor and manage both preventative maintenance and work orders at our 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 regular 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 2011, 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 Foods 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 Foods' 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 2012 or later years, other than the changes in the value of the Canadian dollar relative to the U.S. dollar, changes in raw material costs as discussed in the Management Discussion & Analysis accompanying the Annual Financial Statements for the year ended December 31, 2011, and the 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 other 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 72.5%[8] of the retail food sales market. In the U.S., retailers are also consolidating. Ten retail operators now control approximately 60%[9] of U.S. 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 customers for increased listing and promotional incentives and improved payment terms. However, as a supplier of Canada's leading frozen seafood brand and a leading supplier to the U.S. food service channel, we expect to remain an important supplier to grocery retailers and food service distributors. We are focusing efforts on brand strength, new products, procurement activities, 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 Foods to grow in step with customer growth.

Consolidation of customers is expected to result in some consolidation of suppliers in the U.S. seafood industry. The supply of seafood, especially in the U.S. 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**:** For more than a decade, many seafood companies, including High Liner Foods, have diverted production of certain primary produced 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 and they produce excellent quality. Land-based seafood primary processing plants in developed countries, such as Norway, Iceland and Canada, have found it extremely difficult to compete with Asian

---

[8] Market share is estimated by ACNielsen® based from the Tl Grocery Composite.
[9] According to "2012 Marketing Handbook", published by Trade Dimensions International, Inc.

processors, especially when they compete with them for the raw material on global markets. We anticipated this trend ahead of our many competitors. It was part of our rationale for exiting the primary processing and fishing businesses, and the trend allowed us to develop opportunities that are now contributing to our growth strategy. We chose to work closely with selected Asian suppliers to become an important customer, especially for cod and haddock suppliers. 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 seafood products, including a significant amount of wild-caught product from the Atlantic and Pacific oceans that we need to fulfill our brand strategy. 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. As noted earlier, we now have a direct involvement in processing plants in China through our joint venture, Dencan Seafoods and our new plant Dalian Three Star Seafood.

(c) Global seafood supply and aquaculture: We buy all of seafood product on global commodity markets mostly through long term supply relationships. We manage the uncertainties of seafood supply and cost, to some degree, by adjusting product lines, substituting species in certain products, and changing prices to our customers. We have targets set to increase the proportion of our sales that come from aquaculture. Currently 27% of our sales come from an aquaculture source.

Procurement issues and trends are discussed in more detail in Section 3.4 of this document and under the section entitled “Risk Management” in Management’s Discussion & Analysis for the year ended December 31, 2011.

(d) Costs and selling prices for seafood raw materials and finished goods: Approximately 70% of our products are derived from wild species. Prices for seafood increased significantly through the first part of 2009 and during the second half of 2010 hitting record highs on some species such as wild salmon. In 2011 prices for seafood continued to increase. Price increases to customers have been taken or are planned to recover most of these cost increases. Recently Aquaculture prices have also trended up due to increases in demand and the higher cost of feed.

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 disposable incomes in countries like Russia and China have also increased the worldwide demand for seafood. The demand increases sales but can also increase raw material costs. We have been able to pass on the majority of these seafood cost increases to our customers when necessary over the past three years.

The declining U.S. dollar relative to other currencies also increased the cost of fish in U.S. currency in recent years. As the world market for seafood is transacted in U.S. dollars, a declining U.S. dollar meant that currencies of other seafood consuming countries were increasing relative to the U.S. and were able to pay more in U.S. dollars for their purchases. On the other hand, suppliers, others than those in the U.S., needed more U.S. dollars to maintain their profit at historic levels in their domestic currencies. A strengthening U.S. dollar has the opposite effect. Weakness in the U.S. dollar in recent years has decreased the effect of increasing seafood prices, and with increasing demand, current projections are that seafood costs in 2012 will be above average costs in 2011.

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’s Discussion & Analysis for the year ended December 31, 2011. As well, foreign exchange is discussed in our Management’s Discussion & Analysis for the year ended December 31, 2011.

(e) Costs of commodity products, other than seafood: High Liner Foods has significant exposure to other commodity prices including paper, flour, cooking oil and diesel fuel. In terms of paper, we procure boxboard and corrugated material for packaging. We procure flour and corn-based breaders and batters for our value-added coated seafood products. We also use cooking oil in the frying of some of our products. Diesel fuel surcharges can significantly affect our transportation costs, through surcharges on freight rates. To minimize the risk of commodity cost changes for these items, we, where we can, negotiate fixed price contracts with our suppliers. Commodity prices on all of these items are expected to remain high throughout 2012. We have fixed price contracts with our flour, paper products and cooking oil suppliers for more than half of our 2012 requirements.

(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. We continue to invest in new technologies. New investments in high-availability protocols and product lifecycle management software were made in 2011 are expected to be implemented in 2012, which will enhance our already robust information technology platform.

5. DIVIDEND POLICY

Beginning in the last quarter of 2003, we instituted a quarterly dividend to holders of High Liner Foods’ common shares and have paid a quarterly dividend ever since. The implementation of this policy reflected our confidence in the future as we focus on growing our business. A dividend of $0.0625 per common and non-voting equity share was paid in the first and second quarter of 2009, and this dividend was increased in the third quarter of 2009 to $0.07 and in the fourth quarter to $0.075 per share. The quarterly dividend was increased to $0.085 per share at the Company’s annual meeting on May 11, 2010, payable June 15, 2010. The quarterly dividend was increased to $0.09 per common and non-voting equity share for the first quarter of 2011 and then increased again to $0.10 per share for the second to fourth quarters of 2011. On February 22, 2012, the Directors approved a quarterly dividend of $0.10 per share on the Company’s common shares and non-voting equity shares payable on March 15, 2012 to holders of record on March 2, 2012.

In determining the level of dividends paid, the directors consider the relative yield on High Liner Foods’ stock compared to its industry peers as well as the percent of expected annual net income being distributed by way of a dividend. A payout of between 33% and 40% of trailing earnings per share is targeted, but no set policy exists. Financial covenants on debt, new business development or unusually high capital expenditures may also affect the value of the dividend. New debt arrangements, negotiated as a result of the financing of the Icelandic USA Acquisition, contain provisions that the current level of dividends can continue to be paid as long as the company meets certain financial targets as anticipated.

The following table outlines the dividends per share paid over the three previous fiscal years:

Dividend Record Date	Per Common and Non-Voting Equity Share
December 1, 2011	$0.10
September 1, 2011	$0.10
June 1, 2011	$0.10
March 1, 2011	$0.09
December 1, 2010	$0.0850
September 1, 2010	$0.0850
June 1, 2010	$0.0850
March 1, 2010	$0.0750
December 1, 2009	$0.0750
September 1, 2009	$0.0700
June 1, 2009	$0.0625
March 1, 2009	$0.0625

6. CAPITAL STRUCTURE

The only shares outstanding at December 31, 2011 are the common shares and non-voting equity shares.

High Liner Foods' 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 16 to the Financial Statements for the year ended December 31, 2011.

7. MARKET FOR SECURITIES

High Liner Foods' common shares and non-voting equity shares are listed for trading on The Toronto Stock Exchange under the symbols "HLF" and "HLF.A", respectively. During 2011, the common shares traded between $13.20 and $16.99 and the non-voting equity shares traded between $12.00 and $15.16. As of the last trade date at year end, the common shares closed at $16.35 and the non-voting equity shares closed at $15.16.The charts below identify the price ranges and volumes by month for our last fiscal year.

HLF Common Shares					
Month	**High**	**Low**	**Close**	**Average Volume**	**Total Volume**
Dec-11	$ 16.62	$ 14.21	$ 16.35	5,090	157,788
Nov-11	$ 15.25	$ 14.02	$ 14.66	10,885	326,559
Oct-11	$ 15.25	$ 13.20	$ 15.14	8,463	262,362
Sep-11	$ 15.30	$ 13.75	$ 14.50	8,853	265,601
Aug-11	$ 16.10	$ 14.75	$ 15.11	7,646	237,018

Jul-11	$ 16.12	$ 15.35	$ 15.96	6,512	201,860
Jun-11	$ 16.09	$ 14.75	$ 16.01	12,295	368,835
May-11	$ 16.25	$ 14.80	$ 15.47	11,266	349,259
Apr-11	$ 15.97	$ 14.89	$ 15.39	14,332	429,968
Mar-11	$ 15.49	$ 13.67	$ 14.76	16,088	498,713
Feb-11	$ 16.75	$ 14.11	$ 14.20	18,302	512,449
Jan-11	$ 16.99	$ 15.26	$ 16.50	6,486	201,077

HLF.A Non-Voting Shares					
Month	**High**	**Low**	**Close**	**Average Volume**	**Total Volume**
Dec-11	$ 15.16	$ 12.88	$ 15.16	29	906
Nov-11	$ 15.00	$ 12.00	$ 12.98	58	1,754
Oct-11	$ 12.90	$ 12.00	$ 12.00	29	900
Sep-11	$ 13.53	$ 12.50	$ 12.50	220	6,606
Aug-11	$ 13.89	$ 13.89	$ 13.89	6	200
Jul-11	$ 13.75	$ 13.75	$ 13.75	74	2,300
Jun-11	$ 13.75	$ 13.50	$ 13.50	37	1,105
May-11	$ 14.00	$ 13.75	$ 13.75	2,477	76,800
Apr-11	$ 14.00	$ 13.75	$ 13.75	2,640	79,200
Mar-11	$ 15.00	$ 13.50	$ 14.00	31	948
Feb-11	$ 15.05	$ 14.75	$ 14.75	46	1,300
Jan-11	$ 15.11	$ 14.50	$ 15.05	106	3,300

8. DIRECTORS AND OFFICERS

8.1 Directors

The names, residence, occupations, and committees of the Directors of High Liner Foods as of December 31, 2011 were as follows:

Name, Residence and Tenure	Office	Principal Occupation [1]	Committees
L.A Bebo Hartland WI, U.S.A. Director since 2010	Director	President and Chief Executive Officer, Assisted Living Concepts, Inc. Hartland, WI. Serves on the Executive Board of the Assisted Living Federation of America.	HRCG Committee
C. Randolph Bell St. John's, NL, Canada Director since 1991	Director	Mr. 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, construction supplies, and investment management.	Audit Committee
Derek H. L. Buntain Grand Cayman, B.W.I. Cayman Islands Director since 2006	Director	Mr. Buntain is the President of The Dundee Merchant Bank, a financial services institution serving the offshore mutual and hedge fund industries and operating a merchant banking portfolio and a director of several listed	Chairman, HRCG Committee

Name, Residence and Tenure	Office	Principal Occupation [1]	Committees
		companies.	
Henry E. Demone Lunenburg, NS, Canada Director since 1989	Director	Mr. Demone is the President and Chief Executive Officer of High Liner Foods.	Executive Committee
Robert P. Dexter, Q.C. Halifax, NS, Canada Director since 1992	Director	Mr. Dexter is the Chairman and Chief Executive Officer of Maritime Travel Inc., operating 98 travel shops in Canada under the names "Maritime Travel" and "LeGrows Travel".	Chairman, Audit Committee
The Late Hon. Fred J. Dickson, Q.C. (deceased February 9, 2012) Truro, NS, Canada Director since 2000	Director	Mr. Dickson was appointed to the Senate of Canada by Prime Minister Harper on January 2, 2009. Prior to his appointment, Mr. Dickson was counsel with the law firm of McInnes Cooper.	Audit Committee Executive Committee
David J. Hennigar Bedford, NS, Canada Director since 1984	Director	Mr. Hennigar is the Chairman of High Liner Foods Assisted Living Concepts Inc. and Annapolis Group Inc. He is a Chairman and CEO of Thornridge Holdings Limited, the holder of 40.8% of High Liner's common shares and 19.1% of the non-voting equity shares, and other public and private companies. He is also an investment advisor at Altus Securities Inc.	Executive Committee
J. Thomas MacQuarrie, Q.C. Halifax, NS, Canada Director since 1985	Director	Mr. MacQuarrie is a senior partner of Stewart McKelvey, an Atlantic Canada law firm.	HRCG Committee Executive Committee
Robert L. Pace Halifax, NS, Canada Director since 1998	Director	Mr. Pace is the President and Chief Executive Officer of The Pace Group Limited, a private holding company. He is Chairman of Maritime Broadcasting System, owner and operator of 24 radio stations in the Maritimes.	Audit Committee
Robert E. Shea Boston, MA, U.S.A Director since 1982	Director	Mr. Shea is Chairman and President of Shea Financial Group Inc., a holding company.	Audit Committee
Stanley W. L. Spavold, C.A. Halifax, NS, Canada Director since 2008	Director	Mr. Spavold is Executive Vice President of Clearwater Fine Foods Incorporated.	Audit Committee
James G. Covelluzzi Orchid, Florida, U.S.A Director since May 2011	Director	Mr. Covelluzzi is President of Crystal Cold Storage & Warehousing Inc., and Pier 17 Realty Trust Inc. Principal, Maplewood Ventures LLC and investor in several other private companies.	Audit Committee

1. This reflects the principal occupations held by each director in the last five years, unless otherwise disclosed, with the exception of Mr. David J. Hennigar, who prior to being appointed as Chairman and CEO of Thornridge Holdings Limited in 2010, was a Director of Scotia Investments Limited.

Pursuant to High Liner Foods' by-laws, Directors are elected to serve until the next annual general meeting of shareholders or until a successor is elected. The terms of all incumbents therefore expire on May 10, 2012, and eleven incumbents have been nominated for re-election.

8.2 Executive Officers

Except where noted, the executive officers of High Liner Foods have served in their current roles for more than five years. The names, residences, and offices held by the executive officers of High Liner Foods who are not already described in the Directors table above are:

- Kelly L. Nelson, Executive Vice President & Chief Financial Officer, and Secretary, Mader's Cove, Nova Scotia, Canada.

- Mario Marino, President and Chief Operating Officer Canadian Operations, Woodbridge, Ontario, Canada. Prior to 2008, Mr. Marino was Vice President and Chief Operating Officer Canadian Operations.

- Keith Decker, President and Chief Operating Officer, High Liner Foods (USA), Incorporated, Exeter, New Hampshire, U.S.A. Prior to joining High Liner Foods in 2007 as part of the FPI Acquisition, Mr. Decker served as Director of Commodity Sales and Vice-President of Sales and Executive Vice President of Sales and Marketing of Fishery Products International, Inc. and then as President and Chief Operating Officer of FPI.

- Paul Snow, Vice President Procurement, Pleasantville, Nova Scotia, Canada.

- Joanne Brown, Vice President Human Resources, Halifax, Nova Scotia, Canada. Prior to joining High Liner Foods in 2007, Ms. Brown was Vice President of Farmers Cooperative Dairy Limited.

As of December 31, 2011, the number of common shares of High Liner Foods beneficially owned, directly or indirectly, or over which control or direction is exercised by the Directors and executive officers of High Liner Foods as a group is 797,956 or approximately 6.0 percent of those issued and outstanding.

8.3 Proceedings

No Director or executive officer is, as at the date of this AIF, or was within 10 years before the date of this AIF, a Director, chief executive officer or chief financial officer of any company (including a personal holding company), that:

(a) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer other than Mr. Hennigar who (A) was a director of Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited had a management cease trade order in place from May 30, 2001 to October 9, 2001 for failing to file financial statements on time, (B) was a director of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had a management cease trade order in place from August 25, 2001 to

September 26, 2001 for failing to file financial statements on time, and a management cease trade order in place from December 12, 2008 to January 14, 2009 for failing to address TSX Venture Exchange requirements with respect to failing to hold shareholder meetings for the financial years ended March 31, 2007 and March 31, 2008. (C) was a Director of MedX Health Corp. at the time MedX Health Corp. had a management cease trade order in place from January 21, 2010 to February 26, 2010 for failing to hold its fiscal 2008 annual general meeting within the timeframes required by applicable corporate law and Exchange policy and a management cease trade order in place from May 6, 2010 to June 30, 2010 for failing to file its annual financial statements, Certification of filings under Multilateral Instrument 52-109 and its Management, Discussion and Analysis for the year ending December 31, 2009 on or before the prescribed deadline of April 30, 2010; or

(b) was subject to an order (as defined in Form 51-102 F2 of National Instrument 51-102 – Continuous Disclosure Obligations) that was issued after the Director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No Director, executive officer, shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, or a personal holding company thereof,

(a) is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director or executive officer of any company (including a personal holding company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, other than Mr. Hennigar who is a director of KLJ Field Services Inc., a private Nova Scotia Company, which made an assignment in bankruptcy on February 25, 2009;

(b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the trustee, executive officer or shareholder; or

(c) has been subject to: any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision other than as follows. Under a settlement agreement between staff of the Nova Scotia Securities Commission and Mario Marino dated November 19, 2008, Mr. Marino paid an administrative penalty of $10,000 and costs of $5,000 and undertook training relating to this role and responsibility as an officer of a reporting issuer. The settlement related to unintentional violations of insider reporting and insider trading requirements in connection with the sale of 1,400 common shares of the Company in January 2006 that were acquired on the exercise of expiring options.

9. AUDIT COMMITTEE INFORMATION

9.1 Audit Committee Charter

High Liner Foods' 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 Foods has six members: R.P. Dexter, Q.C. (Chairman), F.J. Dickson, Q.C., R.L. Pace, R.E. Shea., C.R. Bell and S.W.L. Spavold.

Each member of the Audit Committee is both independent and financially literate[10]. For full biographies of these Directors, please see pages 3-7 of the Management Information Circular for the Annual General Meeting of shareholders to be held on May 10, 2012. The Human Resources & Corporate Governance Committee of the Board determines whether each Director is independent. See the full discussion on independence beginning at page 30 of the Management Information Circular for the Annual General Meeting of shareholders to be held on May 10, 2012.

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 thirteen consecutive years by the National Post newspaper, achieving platinum status the past seven years), which operates 98 travel stores across Canada. Maritime Travel Inc. was also named as one of the 20 Top Best Small and Medium Employers in Canada for 2007, 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, Bell Aliant Inc., and Wajax Corporation. Mr. Dexter was appointed Chairman of Empire Company Limited in 2004 and Sobeys Inc. in 2007. He is a member of the Audit and Governance, Management Resources and Compensation Committees of Bell Aliant Regional Communications Income Fund.

The late Hon. Fred J. Dickson, Q.C. Mr. Dickson was counsel to McInnes Cooper of Halifax, Nova Scotia and practiced business law for more than twenty-five years. He was appointed to the Senate of Canada in January 2009 by Prime Minister Stephen Harper. Recently, Mr. Dickson had participated in KPMG LLP's Audit Committee Institute Roundtables.

Mr. Robert Pace, in addition to building several successful private companies, has served on the Board of Directors of Canadian National Railway since 1994 and chairs its Human Resources and Compensation Committee. Canadian National Railway is listed on the Toronto and New York Stock Exchanges. He also serves as a director of Hydro One. He holds both a Bachelor of Laws and a

[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.

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 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 Plaintree Systems Inc., Solution Inc. Technologies Limited and Silex Ventures Ltd.

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, Campanelle Limited, Cohen's Home Furnishings Ltd., and is a director and franchisee of Ashley Homes Stores. He has an undergraduate education in commerce, and has been a successful entrepreneur for 43 years.

Mr. S. Spavold is Executive Vice President of Clearwater Fine Foods Incorporated, a private holding company with significant investments in Clearwater Seafoods Income Trust, a publicly trading shellfish harvester and processor, and Columbus International Inc., a telecommunications company serving the Caribbean. Mr. Spavold is also the Chair of Ocean Nutrition Canada Limited and serves on the board of FP Resources Limited. Mr. Spavold has been a Chartered Accountant for over 25 years serving in public practice and formerly as Vice President Finance of McCain Foods Limited.

Mr. James G. Covelluzzi is a CPA and is the President of Crystal Cold Storage & Warehousing Inc., and Pier 17 Realty Trust Inc. Principal, Maplewood Ventures LLC and investor in several other private companies.

9.4 Audit Fees

Ernst & Young LLP is the Company's auditing firm. Fees payable for the years ended December 31, 2011 and January 1, 2011 to Ernst & Young LLP are $1,151,956 and $1,219,739 respectively. Fees payable to Ernst & Young LLP and its affiliates in 2011 and 2010 are detailed below.

	2011	**2010**
Audit fees	$369,420	$395,274
Audit-related fees	$69,792	$259,013
Tax fees	$712,744	$564,452
	$1,151,956	**$1,219,739**

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 Foods 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 including the Viking Acquisition and the financing related to the Icelandic Acquisition;
- A special audit report on the Burin plant production shortfall for the province of Newfoundland and Labrador; and
- Assistance provided with respect to the Company's adoption of International Financial Reporting Standards (2011 – $34,217; 2010 – $217,063; 2009 – $5,000; 2008 – $78,755).

In addition to fees paid to our external auditors with respect to assistance in the conversion to International Financial Reporting Standards, we also paid other external advisors $161,325 (2011– $16,108; 2010–$145,217).

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. Additional fees were paid for assistance in setting up a tax efficient structure for the financing of the Viking Acquisition and for the financing of the Icelandic Acquisition.

The Audit Committee approves all non-audit service fees for services provided by the Company's auditors. In addition to the assistance received from external advisors with respect to the Company's conversion to International Financial Reporting Standards as noted above, during the three years 2009 – 2011 an accounting firm other than Ernst & Young was also engaged to assist the Company with due diligence, integration support services, purchase price allocation issues in connection with the Viking Acquisition and the Icelandic Acquisition, goodwill impairment valuations, acquisition investigation counselling and advice on the CEO/CFO certification process.

10. TRANSFER AGENTS

CIBC Mellon Trust Company is High Liner Foods' transfer agent and registrar with respect to common shares and non-voting equity shares of the Company. The register of the transfers for common shares is kept at Halifax, Nova Scotia. Their 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. MATERIAL CONTRACTS

All of the following agreements are filed as material documents under High Liner Foods' profile on SEDAR at www.sedar.com.

(a) ***Voting and Standstill Agreement dated December 20, 2007.*** The common shares issued by High Liner Foods in the FPI Acquisition are subject to a Voting and Standstill Agreement among

High Liner Foods, FPI Limited, Fishery Products International Limited, John Risley, Graham Roome, Clearwater Fine Foods Incorporated, Clearwater Seafoods Income Fund, Glitnir banki hf, Icelandic Group Plc. and Sanford Limited. Under this agreement the parties have agreed with High Liner Foods that they and their controlled affiliates will for five years be restricted from taking certain actions in respect of High Liner Foods' shares. Such restrictions include: acquiring additional shares other than in limited circumstances; disposing of shares where the transferee would hold in excess of 10% of the total voting securities of High Liner Foods, except with the approval of the High Liner Foods Board of Directors or the execution by such transferee of the Voting and Standstill Agreement; participating in a partnership, limited partnership, syndicate or other group or a voting trust with respect to the High Liner Foods shares; soliciting proxies or seeking to advise or influence any person with respect to acquisition, disposition or holding of High Liner Foods shares or the voting of any High Liner Foods shares, other than to recommend that persons vote in favour of any matter recommended by the High Liner Foods Board; commencing or announcing an intention to commence a takeover bid or making, announcing any intention or desire to make, or facilitate the making of, any proposal or bid with respect to the acquisition of any substantial portion of the assets of High Liner Foods or of the assets or stock of any of its subsidiaries or of all or any portion of the outstanding High Liner Foods shares, or any merger, consolidation, other business combination, restructuring, recapitalization or liquidation involving High Liner Foods or any of its subsidiaries. Should High Liner Foods raise capital by the issuance of securities during the term of the Voting and Standstill Agreement, each party shall have a pre-emptive right to subscribe for its proportionate share of such newly issued securities in order to avoid dilution of its existing percentage interest of the equity shares of High Liner Foods.

(b) ***Acquisition of Icelandic Group's U.S. and Asian Operations dated December 29, 2011.*** On December 19, 2011, High Liner completed the acquisition of Icelandic Group's U.S. and Asian operations as previously announced on November 17, 2011, one of the largest suppliers of value-added seafood to the U.S. food service market. The adjusted purchase price was US$232.7 million, including US$2.0 million in closing adjustments. In addition, High Liner paid working capital adjustments net of cash balances of US$13 million reflecting the seasonally high working capital levels at the time of the closing of the transaction.

(c) High Liner Foods entered into the following financing arrangements on December 19, 2011 which replaced its existing working capital facility.

(i) A five year US$180 million working capital facility entered into with Royal Bank of Canada as Administrative and Collateral Agent expiring December 19, 2016 (the "facility"). This facility replaced all existing working capital debt facilities. The facility is asset based and is collateralized by the Company's inventory and accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands and trade names and related intangibles under the long-term debt facilities. The facility allows borrowings by way of Prime loans, Base Rate loans, LIBOR, or Canadian BAs at interest rates and spreads that depend on leverage, defined as Funded Debt to EBITDA. The Company must maintain excess availability under the line of at least $22.5 million at all times. In certain circumstances the Company must also maintain fixed charge coverage of 1.1 to 1. Fixed charges include interest and debt repayments, capital lease payments and capital distributions, such as dividends or repurchase of shares under normal course issuer bids. This facility allows the Company to borrow Canadian dollar Prime Rate loans and U.S. Base Rate loans in U.S. dollars at Prime or Base Rate plus 0.00% to 1.00%; Bankers' Acceptances (BA) loans at BA rates plus 1.75% to 2.50%; and LIBOR advances at LIBOR plus 1.75% to 2.50%. Standby fees are also required to be paid on the un-utilized line. The rate of interest charged on borrowings depends on a financial leverage ratio.

(ii) On December 19, 2011 the Company secured a $250 million long-term loan, where the proceeds from this loan were used to repay the existing notes payable. Secured on a first priority basis by substantially all tangible and intangible assets and the assets and stock of its present and future subsidiaries. Repayments are to be made in 23 consecutive quarterly instalments, with the unpaid balance due in full on September 30, 2017. The agreement includes financial covenant requirements of minimum interest coverage ratio, maximum total leverage ratio, and maximum capital expenditures.

12. ADDITIONAL INFORMATION

Further information, including additional copies of this Annual Information Form, the comparative consolidated financial statements and accompanying report of the auditor, the most recent interim financial statements and the Management Information Circular for the Company's Annual General Meeting to be held on May 10, 2012, may be obtained on SEDAR at www.sedar.com or upon request from the Secretary of the Company at investor@highlinerfoods.com, or on the Company's website at www.highlinerfoods.com, or by writing to the 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 Management Information Circular, and additional financial information is provided in the Company's consolidated financial statements and Management's Discussion & Analysis for the year ended December 31, 2011. All additional information referred to in this AIF may also be found on SEDAR at www.sedar.com.

13. FORWARD-LOOKING INFORMATION

This Annual Information Form contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of the Company's business in general are based on a number of factors and assumptions including, but not limited to: the condition of the Canadian and United States economies; the rate of exchange of the Canadian dollar to the U.S. dollar; our ability to attract and retain customers; our operating costs and the availability and prices of raw materials, energy and supplies; product pricing; the availability of insurance; the competitive environment and related market conditions; improvement of operating efficiencies; continued access to capital; the cost of compliance with environmental and health standards; and the general assumption that none of the risks identified below or elsewhere in this document will materialize.

Specific forward-looking statements in this document include, but are not limited to: statements with respect to future strategies, business prospects and the anticipated growth in the U.S. foodservice operations as a result of the Icelandic Acquisition; expectations with regards to planned growth, product innovation, brand development and anticipated financial performance; new services information technology and other capital investments; market forces and the maintenance of existing customer relationships; environmental conditions specifically with respect to the fishing industry; commitments and regulatory requirements; expected growth in long-term global seafood supply and demand; expectations relating to labour disruptions; impact of environmental protection requirements; impact of risk factors; expectations for future seafood costs; and commodity prices.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective" or "continue" or the negative of these terms or variations of them or words and expressions of similar nature. Actual results could differ materially from the conclusion, forecast or projection stated in such forward-looking information. As a result, we cannot guarantee that any forward-looking statements will materialize. Assumptions, expectations and estimates made in the preparation of forward-looking statements and risks that could cause our actual results to differ materially from our current expectations are discussed in detail in the Company's materials filed with the Canadian securities regulatory authorities from time to time, including the "Risks and Uncertainties" section of the Management's Discussion and Analysis included in the Company's 2011 Annual Report. The risks and uncertainties that may affect the operations, performance, development and results of High Liner Foods' business include, but are not limited to, the following factors: volatility in the U.S. / Canadian exchange rate; competitive developments including increase in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods; costs of commodity products and other production inputs; potential increases in maintenance and operating costs; shifts in market demands for seafood; changes in laws and regulations, including environmental and regulatory laws; technology changes with respect to production and other equipment and software programs; supplier fulfillment of contractual agreements and obligations; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; compliance with debt covenants; the availability of adequate levels of insurance; and management retention and development. Forward-looking information is based on Management's current estimates, expectations and assumptions, which Management believes are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Except as required under applicable securities legislation, we do not undertake to update these forward-looking statements, whether written or oral, that may be made from time to time by us or on our behalf, whether as a result of new information, future events or otherwise.

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, Executive Vice President Corporate Services, Chief Financial Officer and Secretary, 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 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 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 International Financial Reporting Standards (IFRS); 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 pension 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 judgment 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. In between meetings of the Committee, and provided the Committee is not in session, the Chairman of the Audit Committee may perform this function, provided any approvals of the Chairman shall be referred to the next meeting of the Audit Committee for ratification.

Internal Auditing and Control

25. The Manager of Internal Audit reports directly to the Vice President Corporate Services, CFO and Secretary 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 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 compliance with the Company's Financing and Credit Risk Policies and review its credit risk profile annually.

41. Review the Company's insurance program for adequacy.

42. 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

43. Consider and, if appropriate, approve requests from individual Directors to retain independent advisors.

44. Review and approve the President's travel and professional expenses.

45. Institute and oversee special investigations as needed.

46. 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.

47. Confirm annually that all responsibilities outlined in this charter have been carried out.

Reporting

48. 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.

49. The Committee shall provide an open avenue of communication between internal audit, the external auditors, and the board of directors.

50. 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.