Annual Information Form
For the fifty-two weeks ended December 28, 2013

(All amounts are in U.S. dollars unless otherwise stated)

February 19, 2014

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Unless the context otherwise requires, references in this Annual Information Form ("AIF") to the "Company" or "High Liner Foods" include High Liner Foods Incorporated and its subsidiaries. References to the fiscal years 2013, 2012 and 2011 are to the fifty-two weeks ended December 28, 2013, December 29, 2012 and December 31, 2011, respectively.

1. CORPORATE STRUCTURE

1.1 <u>Name, Address and Incorporation</u>

High Liner Foods Incorporated is a Nova Scotia company amalgamated under the *Companies Act* of Nova Scotia. Its registered office is at 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0.

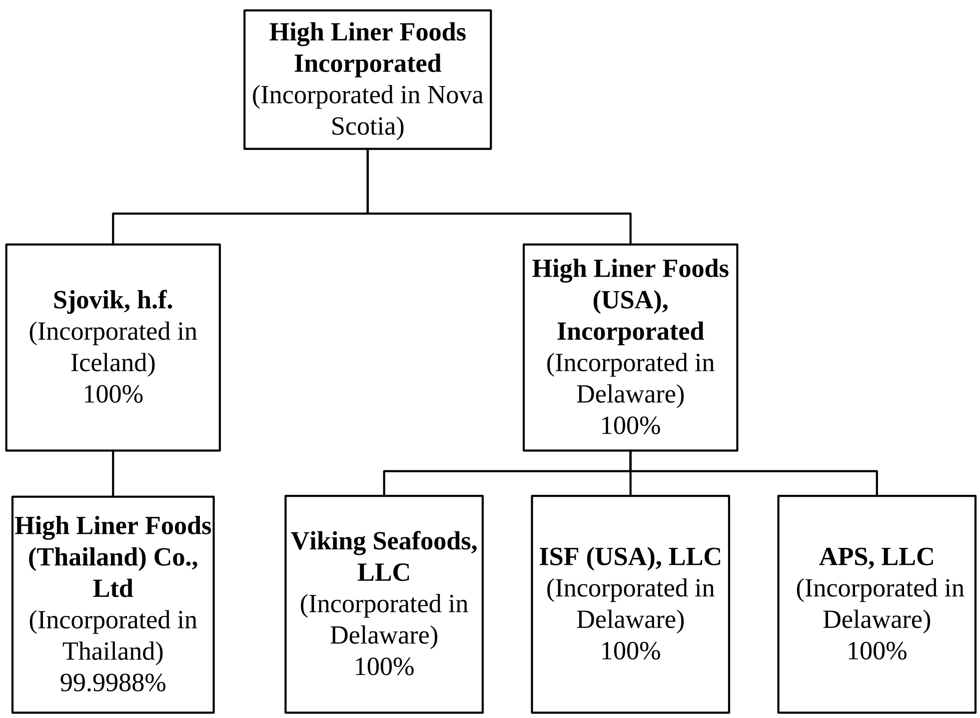
Our 114-year history began in 1899 with the founding of W.C. Smith & Company Limited, a ship chandlery and salt fish operation located in Lunenburg, Nova Scotia. In 1926, the same group of shareholders diversified into fresh fish and cold storage and formed Lunenburg Sea Products Limited and conceived 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 in 1967 when these related companies were amalgamated and on December 31, 1998, the Company's name was changed to High Liner Foods Incorporated.

1.2 Inter-Corporate Relationships

The Company's business is carried on principally through the parent company, High Liner Foods Incorporated (registered head office in Lunenburg, Nova Scotia) and its wholly owned operating subsidiary, High Liner Foods (USA) Incorporated (registered head office in Portsmouth, New Hampshire).

High Liner Foods (USA), Incorporated's wholly owned subsidiaries include Viking Seafoods, LLC, ISF (USA), LLC, and APS, LLC.

In addition, the Company owns Sjovik, h.f. and its subsidiary in Thailand, through which product is procured for High Liner Foods.



Our Canadian retail and food service businesses are headquartered in Toronto, Ontario, with regional sales offices in: Calgary, Alberta; Montreal, Quebec; and Halifax, Nova Scotia. We operate a food-processing plant in Lunenburg, Nova Scotia. These businesses distribute frozen seafood throughout Canada.

Our United States ("U.S.") retail and food service businesses are headquartered in Danvers, Massachusetts, and we operate facilities in: Malden, New Bedford and Peabody, Massachusetts; Portsmouth, New Hampshire; and Newport News, Virginia. These businesses manufacture and distribute frozen seafood throughout the U.S. and Mexico.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Company Overview

High Liner Foods Incorporated (HLF-TSX) has been a Canadian publicly-traded company since 1967. We process and market superior quality seafood and other food products in North America. Our expertise is frozen seafood. We are the leading North American processor and marketer of value-added (i.e. processed) frozen seafood, producing a wide range of products from breaded and battered items to seafood entrees. We produce and market seafood 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 brands, but we are also an important supplier of private label frozen seafood products for many North American food retailers, club stores and food service distributors. Our retail branded products are sold throughout the U.S., Canada and Mexico under the *High Liner, Fisher Boy, Mirabel* and *Sea Cuisine* labels, and are available in most grocery and club stores. The Company also sells branded products to restaurants and institutions under the *High Liner, Icelandic Seafood, FPI, Viking, Mirabel, Samband of Iceland* and effective October 1, 2013, *American Pride Seafoods* labels. 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.

Although our roots are in the Atlantic Canadian fishery, we purchase our seafood raw material and some finished goods from around the world, including Canada, the U.S., Europe, Asia and South America. Finished product in North America is held in our modern cold storage facilities, located in: Lunenburg, Nova Scotia; Peabody and New Bedford, Massachusetts; Portsmouth, New Hampshire; Newport News, Virginia; and at third party cold storage centers. From these centers, our products are distributed throughout North America.

From our headquarters in Lunenburg, Nova Scotia, we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of the consumer by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

2.2 Three Year History

Seafood Operations

During the past several years, we were first focused on our vision, "*to be the leading North American processor and marketer of value-added frozen seafood*" until, with the Icelandic USA Acquisition (described below) in late 2011, this vision was effectively achieved. Following the substantial completion of activities to integrate this acquisition into High Liner Foods' business, the Company announced in early 2013 an updated and expanded vision, *"to be the leading supplier of frozen seafood in North America"*.

The "value-added" modifier was dropped, recognizing that in our pursuit to be the leading supplier of frozen seafood in North America, we will continue to focus on growing our value-added products, from breaded and battered items to seafood entrees, but we will also focus on growing our raw (i.e. unprocessed) frozen seafood product offerings, which in 2013 represented approximately 32% of our product sales. This change is not a mandate to become a commodity trader. We have high standards for margins, return on assets managed and return on equity and will ensure these are maintained by continuing to differentiate our raw frozen products by virtue of a combination of branding, marketing, quality and service.

In pursuit of our vision, we are focused on increasing the sales, profits and market share of our major brands. 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 existence of private label frozen seafood products in the market. However, we have benefited from the strength of private label products 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.

We support our brands by conducting consumer research to determine what food products and formats appeal to consumers. 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 products and introduced new uncoated products into the seafood departments of Canadian grocery stores. Having products in the seafood department and the frozen food aisles increases our brand presence in grocery stores.

New product development in our U.S. retail business is focused on premium quality seafood products that are sold in the frozen section of fresh seafood departments and delis under the *Sea Cuisine* brand. Club store sales in both Canada and the U.S. have also benefited from product development expertise and we have grown our share of the value-added business with all major club stores.

In our U.S. food service business, we have successfully launched several product platforms in recent years - *Upper Crust* in 2004, *Pan Sear* in 2006 and *Fire Roasters* in 2010. The *Fire Roasters* products, which are not available from our competitors, are restaurant-inspired, high quality, ready-to-cook entrees that are popular with restaurant operators that do not want to have to prepare the seafood in their own kitchens. The *Fire Roaster* products, marketed in Canada as *Flame Savours*, have also been successful in Canadian Food Service and Canadian Retail.

New lines of private label fillets launched recently in the U.S. market have helped to expand our relationships with existing customers.

The American Pride Acquisition

On October 1, 2013, High Liner Foods acquired the net assets and operations of American Pride Seafoods ("American Pride") from Seattle-based American Seafoods Group LLC (herein referred to as the "American Pride Acquisition"). American Pride is primarily a value-added frozen seafood food service and scallop processing business based in New Bedford, Massachusetts.

The net assets included in the acquisition were principally inventory, and property, plant and equipment located in New Bedford. As part of the transaction, we assumed certain operating leases related to the acquired businesses.

High Liner Foods also acquired several brands as part of the transaction. American Pride's branded and private label products are primarily distributed in the U.S. to food service customers in the commercial and independent restaurant, health care and education markets, as well as to some export and U.S. retail markets.

This acquisition is expected to bolster High Liner Foods' market leadership position in the food service segment of the U.S. value-added frozen seafood industry and also adds a significant U.S.-based scallop processing operation to it business portfolio.

The initial accounting for this business combination was provisional at the time the financial statements for the fifty-two weeks ended December 28, 2013. Management has sought an independent valuation for the purchase price allocation. The results of the valuation have not been finalized as at the date of this document, and as a result, the financial information disclosed is based on management's best estimate. The purchase price accounting will be finalized in 2014 upon completion of the valuation.

The Company was not required to file a Form 51-102F4 "Business Acquisition Report" on SEDAR in relation to this acquisition.

The Icelandic USA Acquisition

In December 2011, High Liner Foods acquired Icelandic Group h.f.'s U.S. subsidiary, Icelandic USA, and its Asian procurement operations (herein referred to as the "Icelandic USA Acquisition").

The assets included in the acquisition were the shares of Icelandic USA (renamed "ISF (USA), LLC"), Icelandic Northwest Inc. (renamed "HLF Northwest, Inc."), and Sjovik, h.f., including Sjovik, h.f.'s subsidiaries, Dalian Three Star Seafood Co., Ltd., and Icelandic Seafood Thailand (renamed "High Liner Foods (Thailand) Co., Ltd."). Real estate acquired included a primary processing plant in Dalian, China, and a food-processing plant and cold storage facilities in Newport News, Virginia. The primary processing plant in China produces raw material and finished goods for our U.S. operations and was sold to the minority shareholders in the first quarter of 2013. However, we continue to procure the same volume of products from this facility as we did prior to the sale.

High Liner Foods acquired several brands as part of the acquisition and agreed to a seven-year royalty-free licensing agreement with Icelandic Group for the use of the *Icelandic Seafood* brand in the U.S., Canada and Mexico.

High Liner Foods also structured a long-term distribution agreement with Icelandic Group that will ensure producers in Iceland will continue to have access to the U.S. market and that High Liner Foods will continue to be able to supply its customers with high quality fillets from Iceland under the *Icelandic Seafood* brand.

The Company filed a Form 51-102F4 "Business Acquisition Report" related to this acquisition on SEDAR, on March 26, 2012.

Joint Venture

See Section 3.2 for details regarding the 50% interest in a joint venture that High Liner Foods entered into in 2010, and subsequently sold to the joint venture partner in February 2013.

2.3 Business Strategy

Our vision is: *To be the leading supplier of frozen seafood in North America.*

We are focused on frozen seafood because we are experts in this category and on North America because we continue to see opportunities for growth in the North American market, by building on our position as a leader in frozen seafood in both Canada and the U.S., particularly in the food service channel.

We are committed to developing, producing and delivering high-quality and innovative seafood products for our retail, club store and food service customers, and to providing all customers with superior levels of service. We strive to maintain and improve our market leadership positions through continuous product improvement, product innovation, and consistently providing high levels of customer service, including ensuring continuity of supply and on-time product delivery.

It is through partnering with customers and suppliers, further developing our brands, achieving operational excellence, maintaining our superior procurement expertise and providing leadership in the frozen seafood category, that we expect to achieve our vision and increase shareholder value in the long-term.

The Company and its employees are committed to conducting business in a manner that reflects the following values:

- *Customer focused*: We are focused on meeting the current and future needs of our customers and believe that our success depends on understanding our customers, building strong relationships and delivering quality products on time.
- *Innovative*: We are committed to providing differentiated and innovative products and services to grow our business and meet the needs of a changing marketplace. We are also committed to innovation in how we work, to make the business more efficient.
- *Responsible*: We take responsibility for our actions. In a competitive industry, we operate with integrity with our customers, suppliers and each other. We respect our environment and are committed to sustainability in all our operations.

2.4 Growth Strategy

High Liner Foods will pursue growth in two areas:

Organic Growth in Core Markets
We plan to continue to grow our seafood businesses in Canada, the U.S. 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 a key component of this strategy.

Acquisition of Frozen Seafood Businesses
Although organic growth is an important focus, our strength in the value-added frozen seafood business in North America creates a strategic opportunity for us to acquire businesses operating in the same markets and leveraging our existing infrastructure, business processes and expertise, to achieve synergies upon integration of these businesses into our own. Our strengths in management, customer relations, marketing, frozen food logistics, product development, global seafood procurement, along with our robust business systems, provide the necessary infrastructure and skills to successfully market, sell and distribute frozen seafood to customers throughout North America.

The Company has been successfully executing on this strategy and has made several acquisitions since 2007, with its most recent acquisitions being the Icelandic USA Acquisition in 2011 and the American Pride Acquisition in 2013. Following these acquisitions:

- High Liner Foods is the leading marketer and processor of value-added frozen seafood in North America.
- In Canada, we are the clear market leader for frozen seafood products in both retail and food service channels.
- In the U.S., we are a leading supplier of frozen seafood products in the food service channel and the leading supplier of value-added frozen seafood products in this channel.

3. THE BUSINESS

3.1 Product Marketing and Operating Segments

Trademarks and Brand Names

High Liner Foods' products are sold both directly and through distributors to North American retail and club stores, and through food service distributors to hotels, restaurants and institutions (such as healthcare and educational organizations). We market the majority of our seafood products under a number of proprietary brands including: *High Liner*, *FPI* and *Mirabel* trademarks in Canada, and *High Liner*, *FPI*, *Mirabel*, *Sea Cuisine*, *Fisher Boy*, *Viking*, *Icelandic Seafood* (under a licensing agreement), *Samband of Iceland* and *American Pride Seafoods* trademarks in the U.S. Our products are also sold in Mexico under the *Sea Cuisine* and *Fisher Boy* trademarks. In addition to our branded products, High Liner Foods produces private label frozen seafood products for several retailers, club stores and food service distributors throughout North America.

Under our trademarks and brands, and from a variety of seafood species, High Liner Foods markets a diverse range of frozen seafood products, including raw fillets and shellfish, cooked shellfish and value-added products such as sauced, glazed, breaded and battered seafood, along with seafood entrees. In addition, the Company produces breaded cheese sticks and breaded chicken for a small, select group of customers. A full listing of "sub-brands" and product names can be located on the Company's various food service and retail websites, which can be accessed through the corporate website at www.highlinerfoods.com.

Operating Segments

Sales revenues from operating segments that accounted for 15% or more of total consolidated sales revenues are shown below in domestic currency, for each of the last two fiscal periods. High Liner Foods' financial statements are presented in U.S. dollars ("USD") and domestic currency presentation is before considering the impact of converting the Canadian parent company's sales from Canadian dollars ("CAD") to USD.

Operating Segment	2013*	2012
Canada	33%	33%
United States (including Mexico)	67%	67%

*On a pro forma basis, following the American Pride Acquisition, the Company's sales revenues (in domestic currency) are expected to be generated 70% in the U.S. and 30% in Canada.

In North America, the frozen seafood market can be divided into three categories or segments: breaded and battered; prepared; and raw (i.e. meaning not breaded, battered or prepared). High Liner Foods competes primarily in the first two of these segments in the U.S. and in all three in Canada.

U.S. Operations

Frozen seafood (including shellfish) is the fifth largest category in the U.S. retail frozen food market, and accounted for sales of $4.3 billion in 2013, an increase of 4.5% over the previous year[1]. Measured in pounds, volume in this category increased 2.6% over the same time period. As previously noted, we compete primarily in the breaded and battered, and prepared segments in the U.S. frozen seafood market.

Our U.S. retail division markets a full range of breaded and battered fish 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 U.S. supermarkets. In 2013, approximately 30.3% of our U.S. seafood sales to the retail frozen food market (excluding club stores) were private label products compared to 31.7% a year ago. This is indicative of the multi-year trend being experienced in the seafood marketplace overall of decreased demand for retail private label processed frozen seafood products. Today, most retailers carry a national brand, a store brand (private label) and usually a third brand if it is differentiated from the national brand. Our strategy for *Fisher Boy* 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.

[1] Market share is estimated by IRI® (Information Resources Inc.), which tracks all grocery stores, super-centers (including Walmart) and club store channels (excluding Costco). The category reported here is for all types of frozen seafood (including fish and shellfish, and excluding seafood entrees), whether breaded or unbreaded. Market shares reported are based on pounds for the categories indicated and are for the fifty-two weeks ended December 29, 2013 and December 30, 2012. These market shares do not include the impact of the American Pride Acquisition.

The introduction of High Liner's *Sea Cuisine* branded products after the FPI Acquisition (see below), which are primarily sold in the freezer section of fresh seafood departments and delis of major supermarket chains and 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* and *Sea Cuisine* brands and co-packs for other distributors.

In December 2007, High Liner Foods acquired the North American manufacturing and marketing business of Fishery Products International, Inc. ("FPI") (herein referred to as the "FPI Acquisition"), adding FPI's leading U.S. food service business to its own. FPI is one of the top frozen seafood brands in the U.S. food service channel. This business delivers a wide range of seafood products under the *FPI* and *Mirabel* brands. This business has a particularly strong track record of product innovation, a strength that we have been able to leverage across our entire North American operations.

At the end of 2010, High Liner Foods further expanded its U.S. value-added frozen seafood product offerings when it acquired the business of Viking Seafoods, Inc. ("Viking"). After completing the Icelandic USA Acquisition in 2011, which added complementary product lines, especially with its industry-recognized beer batter products and line of premium "Product of Iceland" fillets, High Liner Foods became the largest supplier of value-added frozen seafood products to this channel.

The American Pride Acquisition in October 2013 served to further bolster the Company's market leadership position in the value-added frozen seafood segment of the U.S. food service market, and added a significant U.S.-based scallop processing operation to High Liner Foods' business portfolio. Today, we supply a wide range of frozen seafood products to leading U.S. food service operators in multiple restaurant segments, to broad line food service distributors, and to specialty seafood distributors.

In the U.S. market, High Liner Foods employs a network of sales brokers, managed by regional managers employed by the Company.

Canadian Operations

In Canada, High Liner Foods competes in all three segments of the frozen seafood market and its unique strength in this market is the breadth of products it procures and processes, ranging from raw fish fillets, shrimp, scallops and other seafood to breaded, battered and prepared fish fillets and shrimp items. It produces both national branded and private label products that are sold in retail and club stores, and food service channels.

In Canada, frozen seafood (including frozen fish and shellfish) is the second largest category in the retail frozen food market and accounted for CAD$637 million of consumer sales[2]. High Liner Foods' branded products are marketed under the *High Liner*, *Catch of the Day* and *Mirabel* brands to Canadian retailers, including supermarkets, mass merchants, drug stores and club channels.

High Liner Foods' food service business in Canada supplies products to restaurants and cafeterias, along with other institutions and markets its branded products for this market under its *High Liner, Mirabel, FPI* and *Icelandic Seafood* brands.

In Canada, High Liner Foods utilizes a direct sales force in virtually all markets, compared to the use of sales brokers in the U.S.

3.2 Production Facilities

High Liner Foods has processing plants in: Lunenburg, Nova Scotia; Portsmouth, New Hampshire; Malden and New Bedford, Massachusetts; and Newport News, Virginia. It also has distribution centres and a sales organization or broker network across both Canada and the U.S. Significant distribution centres are located in: Peabody, Massachusetts; Newport News, Virginia; Lunenburg, Nova Scotia; Brampton, Ontario; and Edmonton, Alberta. The Company utilizes a combination of Company-owned and third party-managed cold storage facilities.

The following chart describes the capacity of High Liner Foods' major production facilities, in pounds. All of these facilities produce prepared seafood products.

Location	Annual Capacity*	Capacity Utilization*
Lunenburg, Nova Scotia, Canada	40,000,000	81%
Portsmouth, New Hampshire, U.S.	80,000,000	83%
Malden, Massachusetts, U.S. (leased facility)	41,000,000	32%
Newport News, Virginia, U.S.	90,000,000	77%
New Bedford, Massachusetts, U.S.		
Scallop processing facility	12,000,000	67%
Value-added processing facility	87,000,000	61%

* The capacities above are based on our current manufacturing profile. We have the ability to increase capacities at Portsmouth to 90 million pounds, Newport News to 95 million pounds and Lunenburg to 50 million pounds by implementing a change in shift patterns, without significant increases in capital expenditures.

China Operations

In the first quarter of 2013, High Liner Foods sold its 50% interest in the joint venture HighKan Holdings Limited ("HighKan"), a company registered in Hong Kong, to its joint venture partner.

[2] Estimated by Nielsen® which tracks Canadian retail sales by channel.

Under the joint venture arrangements, HighKan owned 80% of Dencan Seafood Limited ("Dencan"), a Chinese company, operating a leased primary fish processing facility in China. Dencan procured its raw materials from High Liner Foods' third party joint venture partner and sold the majority of its production, consisting principally of raw groundfish fillets, to High Liner Foods for sale in the North American market. Upon selling its interest in HighKan, High Liner Foods entered into a procurement arrangement to continue purchasing products from this venture.

Also in the first quarter of 2013, High Liner Foods sold to the minority shareholder the primary processing plant in Dalian, China that it had acquired as part of the Icelandic USA Acquisition. High Liner Foods has entered into procurement arrangements to continue purchasing the same volume of products from this facility as we did prior to the sale, at the same or similar prices.

In addition to the supply agreements with the purchasers of the two operations above, the Company has additional supply contracts with other third party processing facilities in China for the supply of several key species.

Closed Facilities

In December 2012, High Liner Foods closed its production facility in Burin, Newfoundland and transferred production and some equipment to its plants in Lunenburg, Nova Scotia and Newport News, Virginia. The facility and remaining unsold equipment have been written down to their net realizable value.

In January 2013, High Liner Foods closed its production facility in Danvers, Massachusetts and transferred production and some equipment to its facilities in Portsmouth, New Hampshire and Newport News, Virginia. The Danvers facility was sold in late-2013. The remaining unsold equipment was written down to its net realizable value. The Company's U.S. executive, product development, supply chain, and sales and marketing offices will continue to be located at the Danvers facility until a new facility is constructed in Portsmouth, New Hampshire.

Regulatory Environment

All food processing plants conducting business throughout North America require a combination of municipal, state/provincial and federal licenses and permits to operate. Requirements to obtain and maintain food-processing licenses or permits principally relate to food safety, environment, health & safety, transportation of food and labeling. High Liner Foods possesses all necessary licenses and approvals to operate.

In the U.S., seafood processing plants are required to adopt a quality management food safety system known as Hazard Analysis Critical Control Point ("HACCP"). Our seafood processing plants in the U.S., including our leased plant in Malden, are HACCP certified.

In Canada, seafood processing plants are required to develop a Quality Management Plan ("QMP") covering the regulatory and safety aspects of food processing. High Liner Foods' QMP has been approved and in good standing since inception of this requirement. Canada's QMP is accepted as an equivalent standard to the U.S. Food and Drug Administration ("FDA") HACCP system. In Canada, High Liner Foods has gone beyond the basic requirements for imports and has opted for the QMP for importers ("QMPi") to verify that our imported seafood meets Canadian regulatory and food safety standards.

All of the Company's non-North American suppliers operate HACCP approved plants and are required to adhere to newly strengthened U.S. FDA and Canadian Food Inspection Agency ("CFIA") importation requirements centering on food safety and traceability. In addition, High Liner Foods requires all suppliers to obtain an annual third party food safety audit based on the Global Food Safety Initiative ("GFSI"). High Liner quality assurance ("QA") personnel from North America also perform food safety audits on a regular basis. The Company maintains internal quality specifications that in many respects exceed HACCP or QMP requirements. An example of this is the company's policy to conduct validation testing for pathogenic bacteria for all shipments of ready-to-eat products which exceeds all governmental and industry standards. Suppliers are required to adhere to our internal specifications and we regularly audit for compliance. High Liner Foods has offices in Qingdao, China and Bangkok, Thailand, and employs 21 full-time procurement and QA experts to oversee our procurement activities in Asia. This oversight includes production monitoring and finished product inspection at the source before shipment to North America.

In addition to the above, all facilities, whether they are owned by the Company or a supplier, are subject to a variety of independent audits as required by our customers. All four of our Company-owned manufacturing facilities in North America (Lunenburg, Portsmouth, Newport News and New Bedford) are certified to GFSI standards. Three have Safe Quality Foods ("SQF") certifications and the fourth is certified to British Retail Consortium ("BRC") standards.

3.3 Competitive Conditions

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

Competition is very intense in the North America retail market where the primary competitive factors are price, convenience, nutrition, value, consumer brand recognition and loyalty. In Canada, our *High Liner* brand enjoys extremely high consumer brand recognition and in the U.S., our *Fisher Boy* brand has strong regional brand awareness and our *Sea Cuisine* product line has been growing in market presence.

Our major competitors in the retail seafood market are national marketers of brand name and generic products, including Nippon Suisan (owning the Gorton's brand in the U.S. and

BlueWater brand in Canada), Pinnacle Foods Corporation (owning the Mrs. Paul's and Van de Kamp brands in the U.S.), Rich SeaPak (U.S.), Trident Seafoods Corporation (Canada and U.S.), Jane's Family Foods Ltd. (Canada) and Aqua Star (Canada).

In the food service market, continuity of supply, customer service, and price are the major components of competition. Our major competitors in the food service market consist of vertically integrated fishing companies, food processing companies and seafood traders. Major competitors in the U.S. include Trident Seafoods Corporation, Nippon Suisan (owning King & Prince in the U.S.), Tampa Maid, Red Chambers (owning Tampa Bay Fisheries), Ocean Beauty, Aqua Star, Beaver Street Fisheries Inc., Pacific Seafood Group and many smaller trading companies. Major competitors in Canada include Toppits Quality Frozen Foods, Export Packers Company Limited, Clearwater Seafoods, Trident Seafoods Corporation and many smaller trading companies.

In both countries and in retail, club store and food service channels, our branded products also compete with private label products, but we are also a major supplier of private label products to these markets.

In the Canadian retail frozen seafood market, our products are sold under the *High Liner* and *Catch of the Day* trademarks and enjoy a dominant market share position. According to Nielsen®, High Liner Foods held a 48.6%[3] dollar share of the frozen fish market for the fifty-two weeks ending December 14, 2013, up 4.1 market share points from last year. This market share does not reflect private label seafood product it supplies to the Canadian retail market. The Company's food service business also enjoys a leading market position in the processed frozen seafood category in Canada and we are the leading provider of frozen seafood in this channel.

[3] Market share is estimated by Nielsen® which tracks Canadian retail sales by channel and is in dollars.

Following are highlights of the Company's market share in the U.S. retail frozen seafood market[4]:

- We are one of the largest suppliers in the value-added category, with 11.2% (2012: 10.2%) market share of the "total processed seafood" category, and within this segment:
  - Our market share of the "breaded" category is 13.2% (2012: 12.2%).
  - Under our *Fisher Boy* brand, we sell breaded products and fish sticks. *Fisher Boy* is a leading brand of fish sticks in the U.S. and in Mexico. *Fisher Boy* held 19.7% (2012: 18.3%) market share of the "total fish stick" category.
  - Our *Sea Cuisine* product line accounts for 6.2% (2012: 5.3%) market share of the "prepared" seafood category in the U.S.

- The Company's share of the "total frozen seafood" category in the U.S. is 3.7% (2012: 3.4%).

The U.S. retail segment is fragmented, with a small group of market leaders, and sales from our *Sea Cuisine* products continue to grow in this segment. In addition, not reflected in the market shares above, we are one of the largest suppliers in the U.S. food service channel and supply private label seafood products to both the U.S. retail and food service channels.

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 High Liner Foods' procurement team purchased approximately 220 million pounds of seafood in 2013, with an approximate value of $600 million. In addition, the American Pride Acquisition is expected to increase the annual volume by another 35 million pounds, at an estimated incremental cost of $160 million. The Company procures approximately 30 different species from 20 different countries.

[4] Market share is estimated by IRI® (Information Resources Inc.), which tracks all grocery stores, super-centers (including Walmart) and club store channels (excluding Costco). The category reported here is for all types of frozen seafood (including fish and shellfish, and excluding seafood entrees), whether breaded or unbreaded. Market shares reported are based on pounds for the categories indicated and are for the fifty-two weeks ended December 29, 2013 and December 30, 2012. These market shares do not include the impact of the American Pride Acquisition.

The major species procured in 2013 accounted for approximately 87% of our total dollar purchases in 2013. These species are as follows:

Species	Percent of Total Purchases
Cod	27.6
Shrimp	15.8
Alaskan Pollock	13.3
Haddock	12.4
Tilapia	9.0
Salmon	8.7
Total major species	**86.8**

Scallops were not a major species procured in 2013, however, on a pro forma basis, as a result of the American Pride Acquisition, scallops will also be one of the major species procured by the Company.

The Icelandic USA Acquisition, with its procurement relationships in Asia, strengthened the Company's procurement activities. It added approximately 60 million pounds of procurement worth $185 million and provides the Company with access to a facility in Dalian for the processing of groundfish. It also provided access to a supply of product from Iceland which allows the Company to expand the distribution of this product in the marketplace. Icelandic USA has traditionally been strong in haddock, Pacific cod and Alaskan pollock procurement and this complements the existing procurement base of High Liner Foods. The American Pride Acquisition added additional sources for Alaskan pollock and a shore-based sea scallop procurement operation in New Bedford.

We have a stringent supplier selection process, and we monitor and test products for quality at source. As disclosed in Section 3.2 above, all of the Company's suppliers operate HACCP-certified plants, regardless of geographic location. We perform supplier audits to ensure the products they produce meet or exceed requirements set by the Canadian and U.S. food inspection agencies and our own product specifications. In many cases, our own specifications and testing exceed regulatory requirements. When product is received in either Canada or the U.S, 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 offices in Qingdao, China; Bangkok, Thailand; and Reykjavik, Iceland employ procurement and quality control staff to oversee our procurement activities in major countries we procure product from. High Liner Foods' North American quality personnel also travel to China to supervise activities overseas. In addition, agents in Chile, Ecuador, India, Indonesia and Vietnam supervise procurement activities in their respective areas.

It is not industry practice to have significant long-term contracts to purchase raw seafood. There is no futures market for seafood where forward purchases can be hedged. Therefore our strategy is to build long-term strategic 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 USD. 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 Foods is an important customer to most of its suppliers, and as a result of the Icelandic USA Acquisition, we are the largest buyer of cod and haddock in the world and after the American Pride Acquisition, we are one of the largest buyers of Alaskan Pollock and an important participant in the Eastern U.S. scallop fishery.

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 as shown in Exhibit 1. Exhibit 2 indicates catches of the ten most important wild groundfish species, as reported by the Food & Agriculture Organization of the United Nations ("FAO") in 2013, along with estimates of panelists, as presented at the 2013 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, Russian Alaskan pollock, New Zealand hoki, North Atlantic Canadian haddock and Baltic Sea cod. Atlantic Sea scallops and Barents Sea haddock are going through multi-year quota decreases to ensure future sustainability and quotas are expected to increase in 2015. Most of the fisheries listed have been managed cautiously for many years and the overall increase to quotas demonstrate a return to healthy stock levels in many of these fisheries.

Exhibit 1
Global Overview: Total Catches

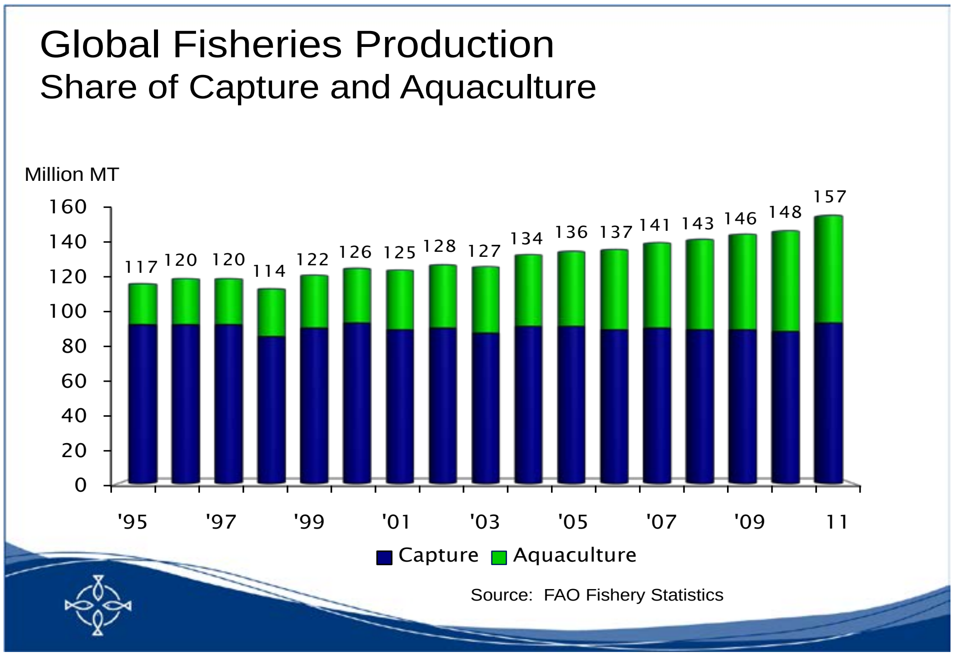
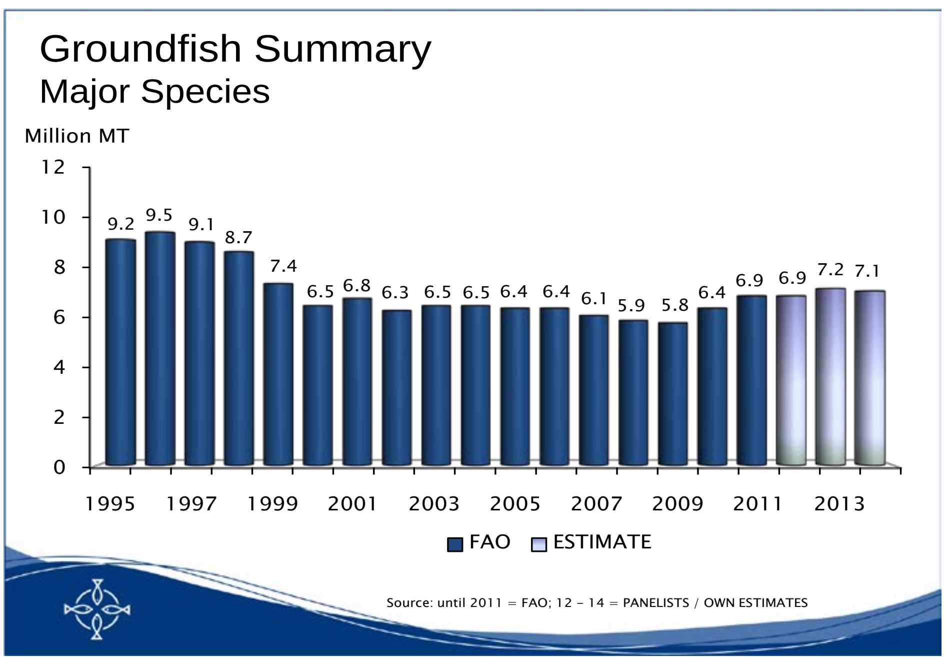


Exhibit 2
Global Groundfish Summary: Major Species



Species included in the above exhibit 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 shellfish species. This trend is expected to continue. We currently procure aquaculture products, including warm water shrimp, tilapia, pangasius (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 pangasius sales and investigate the feasibility and profitability of using more aquaculture species.

Despite procuring aquaculture products, the vast majority of our seafood product sales are from wild caught fish. Aquaculture accounted for 23% of our sales in 2013. On a pro forma basis, we expect that the American Pride Acquisition will result in a slightly lower percentage of our sales coming from aquaculture products, as the majority of American Pride's sales are from wild caught seafood.

High Liner Foods made a commitment in late 2010 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 required wild-caught seafood and farmed products to either:

- come from fisheries and aquaculture processors certified as sustainable; or
- those suppliers not certified must to be on a clear, defined path, actively working towards being sustainable, and capable of documenting measurable improvements. High Liner Foods collaborates with its NGO partner, the Sustainable Fisheries Partnership, in assisting suppliers falling into this category, in achieve sustainability objectives.

At the end of 2013, High Liner Foods had achieved 99% of its sustainability goal[5] and its ongoing commitment is that 100% of wild-caught or farmed products must meet the sustainability criteria defined above.

For a detailed description of the risks associated with commodity prices and currency fluctuations in relation to procurement of raw materials, refer to the Company's Management's Discussion & Analysis ("MD&A) for the year ended December 28, 2013.

3.5 Seasonality

High Liner Foods' operating results by quarter fluctuate throughout the year. For a detailed discussion as to how seasonality affects the company's operations, refer to the Company's MD&A for the year ended December 28, 2013.

[5] The 99% of goal achieved figure does not include American Pride Seafoods LLC, which was acquired by High Liner Foods in October 2013 and will begin to be integrated in 2014.

A summary of sales, income from operations and net income, on both a total dollar and a per-share basis, for the eight most recently completed quarters ending December 28, 2013, is provided in the Company's MD&A for the year ended December 28, 2013.

3.6 Employees

At December 28, 2013, High Liner Foods had 1,540 active permanent employees, of whom 632 were salaried employees and 908 were hourly employees.

Employees by county are as follows:

Country	Number of Employees
Canada	428
U.S.	1,089
China	16
Thailand	5
Iceland	2
Total	**1,540**

High Liner Foods has approximately 182 unionized employees in its Lunenburg facility who are represented by the Canadian Auto Workers union. The Lunenburg collective agreement has an expiry date of December 2014. We believe we have good relations with our unionized employees and anticipate no disruptions in operations in 2014. The hourly workers in Portsmouth, Malden, Newport News and New Bedford are not unionized.

The number of employees dropped significantly from the December 31, 2012 following the sale in the first quarter of 2013 of the primarily processing facility in Dalian, China, and then increased again in fourth quarter of 2013 following the American Pride Acquisition.

3.7 Effect of Volatility of Canadian Dollar

At the end of fiscal 2012, the Company changed its presentation currency from CAD to USD, effective retrospectively to January 3, 2010. Although the functional currency of the Canadian parent company is CAD, the USD presentation better reflects the total Company's business activities and improves investors' ability to compare the total Company's financial results with other publicly-traded businesses in the packaged foods industry (most of which are based in the U.S. and report in USD). This change should also result in less volatility in sales, earnings and on the balance sheet, as a large part of our financial statement items are functional USD or influenced by USD commodities.

The chart below shows USD / CAD exchange rates for the period of 2011 to 2013.

USD / CAD Exchange Rate	2013	2012	2011
Balance Sheet – year-end rate	0.9348	1.0048	0.9833
Income Statement – average rate	0.9713	1.0004	1.0110
Percent change – year-end / average rate	-7.0% / -2.9%	2.2% / -1.0%	-2.2% / 4.1%

Approximately two-thirds of our operations and assets are denominated in USD; most of our debt is denominated in USD; our bank covenants are measured in USD; and some of the Canadian parent company's input costs are denominated in USD. Reporting in USD reduces the volatility of currency changes, however, when the U.S. dollar strengthens (weakening Canadian currency), the reported values of Canadian dollar denominated items of the Canadian parent company decrease in the consolidated statements and the opposite occurs when the U.S. dollar weakens. Canadian dollar denominated items in the Canadian parent company's operations are converted to USD at the balance sheet date for balance sheet items and at the average exchange rate of the month the transaction occurs for income statement items. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement.

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

(Amounts in 000's, except growth)	2013	2012	2011
Sales as reported	$947,301	$942,631	$675,539
Less: foreign exchange effect	9,006	(283)	(3,246)
Sales in domestic currency	**956,307**	**$942,348**	**$672,293**
Growth in sales, excluding FX effect	**1.5%**	**40.2%**	**16.8%**

3.8 Social and Environmental Policies

The Company's food processing plants are subject to federal, provincial and state legislation and regulation with respect to safety and environmental matters.

In the U.S., state labour laws and the federal Occupational Safety & Health Act regulate how work must be conducted in our Portsmouth, Newport News, New Bedford and Malden plants. In Canada, provincial legislation and Workers Compensation Boards play an active role in monitoring health and safety in our workplaces. Employee safety committees are in place at each High Liner Foods facility. These safety committees report to the Corporate Safety Steering Committee which in turn reports to the Human Resource and Corporate Governance Committee of the Board. A corporate Safety Policy is in place to ensure a safe workplace for all High Liner Foods employees. At each facility safety policies are in place to protect employees and to maintain compliance with legislation. Regular specialized employee training is required under many of the policies.

With respect to environmental protection, we have an Environmental Management Policy (“EMP”) 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 U.S.. 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 and employee safety hazards and remediation requirements, and therefore maintenance of the related equipment 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 Newport News plants operate computerized maintenance management systems. These programs allow our maintenance teams to closely monitor and manage both preventative maintenance and work orders at our facilities.

As part of our EMP, we have an employee Environmental Steering Committee. The mandate of the Environment Committee is:

1. 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;
2. To assist management in developing action plans to deal with environmental and safety issues; and
3. To monitor management’s progress at rectifying any situations identified as potential risks.

The Company’s Board of Directors, through the Human Resource 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. We anticipate no material impact of such requirements on capital expenditures, earnings and competitive position in 2014.

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 with HACCP, QMP and 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. High Liner Foods is working with Social Ethical Data Exchange, which offers a system for analyzing ethical and responsible business practices throughout the supply chain.

4. RISK FACTORS

The Company is subject to a number of risks and uncertainties related to its businesses that may have adverse effects on its results of operations and financial position. These risks and uncertainties include: industry consolidation; increase in seafood production from Asia; global seafood supply and demand; costs and selling prices for seafood raw materials and finished goods; and costs of commodity products, other than seafood. Details on these risk factors as well as other factors that could potentially impact the Company's results of operations and financial position can be found in the Company's MD&A for the year ended December 28, 2013 under the heading "Risk Factors", which is incorporated by reference herein. The Company's MD&A has been filed electronically through SEDAR and is available online at www.sedar.com.

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. The quarterly dividend has been increased regularly since 2007 as the Company has shared with its shareholders the financial benefits achieved from acquisitions.

The following table shows the dividends per share declared and paid over the last three fiscal years on the Company's common and non-voting equity shares[6]:

Dividend Record Date	Quarterly Dividend $CAD
December 2, 2013	$0.19
September 3, 2013	$0.18
June 1, 2013	$0.18
March 1, 2013	$0.15
December 1, 2012	$0.11
September 1, 2012	$0.11
June 1, 2012	$0.10
March 1, 2012	$0.10
December 1, 2011	$0.10
September 1, 2011	$0.10
June 1, 2011	$0.10
March 1, 2011	$0.09

On February 19, 2014, the Company's Board of Directors approved a quarterly dividend of CAD$0.19 per share on the Company's common shares payable on March 17, 2014 to holders of record on March 3, 2014.

In determining the level of dividends paid, the Board of Directors considers 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 generally targeted, but no set policy exists.

Financial covenants on debt, new business development, expected acquisition activity or unusually high capital expenditures may also affect the amount of the dividend. Debt arrangements, negotiated as a result of the financing of the Icelandic USA Acquisition (as amended in February 2013, and described further under Item B in Section 11 of this document), contain provisions that dividends can continue to be paid as long as the company meets certain financial targets as anticipated. Dividends are subject to restrictions in our credit agreements. Adjusted Aggregate Availability, as defined in the credit agreement, under the Company's working capital facilities needs to be $22.5 million or higher (actual Adjusted Aggregate Availability on December 28, 2013 was $84.5 million). Under the Company's $250.0 million senior secured term loan facility ("Term Loan"), as amended, capital distributions, including

[6] The Company redeemed all of its issued and outstanding non-voting equity shares in December 2012. See Section 6 for more information.

both normal course issuer bids ("NCIBs") and dividends, cannot exceed the greater of $15.5 million per year or the defined available amount based on excess cash flow not used for long-term debt repayments accumulated over the term of the loan. The Term Loan (and amendments) can be reviewed at www.sedar.com.

6. CAPITAL STRUCTURE

The only listed shares of the Company outstanding at December 28, 2013 are the common shares which are listed on the Toronto Stock Exchange ("TSX"). Non-voting equity shares were redeemed in December 2012 at a redemption price for each non-voting equity share being the issuance of one common share of the Company. Following such redemption, the non-voting equity shares were de-listed from the TSX.

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 Company's Financial Statements for the year ended December 28, 2013.

7. MARKET FOR SECURITIES

High Liner Foods' common shares are listed for trading on the TSX under the symbol "HLF". Non-voting equity shares were listed for the period January 1, 2012 through to December 17, 2012 and redeemed and de-listed as noted above. During fiscal 2013, the Company's common shares traded between CAD$30.08 and CAD$49.80. As of the last trade date of the 2013 fiscal year, the common shares closed at CAD$46.03. The table below shows the trading price ranges and volumes by month for our last fiscal year.

	HLF Common Shares				
	High $CAD	Low $CAD	Close $CAD	Average Volume	Total Volume
December	$49.80	$40.68	$46.03	27,283	627,515
November	$41.85	$38.77	$40.89	14,151	283,025
October	$41.96	$35.76	$39.90	13,638	259,113
September	$37.60	$34.52	$36.44	5,102	122,442
August	$35.94	$30.08	$34.98	11,884	225,801
July	$31.74	$29.70	$29.91	4,201	79,818
June	$31.94	$30.11	$31.14	14,943	373,583
May	$34.42	$30.76	$31.25	13,269	252,116
April	$35.69	$32.54	$33.39	13,687	273,739
March	$35.70	$33.50	$35.61	18,735	449,636
February	$35.43	$32.20	$34.68	21,976	417,542
January	$39.00	$30.61	$34.50	34,822	661,609

8. DIRECTORS AND OFFICERS

8.1 Directors

The names, residence, occupations, and committees of the Directors of High Liner Foods as of December 28, 2013 were as follows:

Name, Residenceand Tenure	Office	Principal Occupation[7]	Committees
Derek H. L. Buntain Grand Cayman, B.W.I. Cayman Islands Director since 2006	Director	Mr. Buntain is: 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 publicly listed companies.	Chairman, Human Resource and Corporate Governance ("HRCG") Committee Executive Committee
James G. Covelluzzi Malden, MA, U.S.A Director since 2011	Director	Mr. Covelluzzi is: President of Crystal Cold Storage and Warehousing Inc. and Pier 17 Realty Trust Inc; a Principal in Maplewood Ventures LLC; and an investor in several private companies. He was also the former Chief Executive Officer ("CEO") of Viking Seafoods Inc. until its sale to High Liner Foods in December 2010.	HRCG Committee
Henry E. Demone Lunenburg, NS, Canada Director since 1989	Director	Mr. Demone is CEO of High Liner Foods.	Executive Committee
Robert P. Dexter, Q.C. Halifax, NS, Canada Director since 1992	Director	Mr. Dexter is Chairman and CEO of Maritime Travel Inc., operating in excess of 100 travel shops in Canada under the names "Maritime Travel" and "LeGrows Travel".	Chairman, Audit Committee Executive Committee
David J. Hennigar Bedford, NS, Canada Director since 1984	Director	Mr. Hennigar is: Chairman of High Liner Foods and Annapolis Group Inc.; Executive Chairman of Thornridge Holdings Limited; and the holder of 37.7% of High Liner Foods' common shares, and other public and private companies. He is also an investment advisor at Altus Securities Inc. Prior to December 2010 he was a director of Scotia Investments Ltd.	Chairman of the Board Executive Committee
Matthew R. Hennigar Bedford, NS, Canada Director Since 2012	Director	Mr. Hennigar is: co-founder of Aroi Mortgage Investment Corporation Inc.; President of Millroi Construction Services Inc.; a director of Thornridge Holdings Limited - a major shareholder of High Liner Foods.	Audit Committee

[7] This reflects the principal occupations held by each director in the last five years, unless otherwise disclosed.

Shelly L. Jamieson Toronto, ON, Canada Director Since 2012	Director	Ms. Jamieson is CEO of the Canadian Partnership Against Cancer, a federally funded organization created to accelerate action on cancer controls for Canadians. She was formerly: Ontario's highest-ranking civil servant as Secretary of Cabinet and Head of the Ontario Public Service; Ontario's Deputy Minister of Transportation; President of Extendicare (Canada) Inc.; and Executive Director of the Ontario Nursing Home Association.	HRCG Committee
J. Thomas MacQuarrie, Q.C. Halifax, NS, Canada Director since 1985	Director	Mr. MacQuarrie is a senior partner of Stewart McKelvey, an Atlantic Canadian law firm and Corporate Director in addition to his law practice.	HRCG Committee Executive Committee
R. Andy Miller St. John's, NL, Canada Director Since 2012	Director	Mr. Miller is: CEO of Linco Food Systems of Trige, Denmark; President and a Board member of Baader Linco Inc. in Kansas City; President of Andy Miller Consulting in St. John's, Newfoundland; and, a Board member of Baader North America Corp. and the Canadian Centre for Fisheries Innovation.	Audit Committee
Robert L. Pace Halifax, NS, Canada Director since 1998	Director	Mr. Pace is: President and CEO of The Pace Group Limited, a private holding company; Chairman of Maritime Broadcasting System, owner and operator of 24 radio stations in the Canadian Maritimes; and a director of several publicly listed companies.	HRCG 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 and other public and private companies	Audit Committee

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 8, 2014.

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:

- Keith A. Decker, President & COO, Exeter, New Hampshire, U.S. Prior to September 2013, Mr. Decker was President & COO U.S. Operations and before joining High Liner Foods in 2007 as part of the FPI Acquisition, Mr. Decker served as Director of Commodity Sales & Vice President of Sales and Executive Vice President of Sales & Marketing of FPI and then as President & Chief Operating Officer of FPI.

- Kelvin L. Nelson, Executive Vice President & Chief Financial Officer ("CFO"), Mader's Cove, Nova Scotia, Canada.

- Mario P. Marino, President & Chief Operating Officer ("COO") Canadian Operations, Woodbridge, Ontario, Canada.

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

- Joanne E. Brown, Executive Vice President Human Resources, Halifax, Nova Scotia, Canada.

- Tim P. Rorabeck, Vice President, Corporate Affairs and General Counsel, Halifax, Nova Scotia, Canada. Prior to joining High Liner Foods in 2012, Mr. Rorabeck was Vice President Corporate Affairs and General Counsel, and Corporate Secretary with Clarke Inc., and prior to that was a partner at the law firm of Stewart McKelvey.

As of December 28, 2013, 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 865,216 or approximately 5.7% of those issued and outstanding. In addition, Mr. David Hennigar is Executive Chairman and Mr. Matthew Hennigar is a director of Thornridge Holdings Limited, which holds 37.7% of the Company's issued and outstanding common shares.

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 51-102F2 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. David Hennigar who:
    i. was a director of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had 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;
    ii. 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;
    iii. was a director of Landmark Global Financial Corporation Limited at the time Landmark Global Financial Corporation Limited had a temporary cease trade order in place from May 7, 2012 for failing to file annual financial statements on time; and
    iv. was a director of SolutionInc Technologies Limited at the time SolutionInc Technologies Limited had a temporary cease trade order, issued by the British Columbia Securities Commission, in place from August 9, 2011 to August 24, 2011 for failing to file annual financial statements on time; had a cease trading order in place issued by the British Columbia Securities Commission on October 6, 2011 for failing to file June 30, 2011 quarterly financial statements on time and had a cease trading order in place issued by the Alberta Securities Commission on January 4, 2012 for failure to file September 30, 2011 quarterly financial statements on time; and

- Mr. J. Thomas MacQuarrie who was a director of Aquarius Coatings Inc. at the time Aquarius Coatings Inc. had 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; 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.

Except as otherwise noted herein, 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. David 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 AIF.

9.2 Composition of the Audit Committee

The Audit Committee of High Liner Foods has four members: Robert P. Dexter, Q.C. (Chairman), Matthew R. Hennigar, R. Andy Miller and Robert E. Shea.

Each member of the Audit Committee is both independent and financially literate[8]. The Human Resources and Corporate Governance Committee of the Board determines whether each director is independent. For full biographies of these directors and the full discussion on independence, please see the Management Information Circular ("MIC") to be filed in connection with the Annual General Meeting of shareholders to be held on May 8, 2014.

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 15 consecutive years by the National Post newspaper, achieving platinum status the past 9 years), which operates in excess of 100 travel stores across Canada. Maritime Travel Inc. was also named as one of the 50 Best Companies to work for in Canada for 3 consecutive years, by Globe and Mail's Report on Business Magazine and one of the Top 100 Companies to work for by MacLean's Magazine for two consecutive years. 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 Inc.

Mr. Mathew R. Hennigar is Vice President and cofounder of Aroi Mortgage Investment Corporation and President of Millroi Construction Services Inc. Formerly a director and Audit Committee member of Scotia Investments Limited, Mr. Hennigar Chairs the Compensation Committee and serves as a director of Thornridge Holdings Limited, and sits on the Advisory Board of Envirosystems Incorporated.

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

Mr. R. Andy Miller is: CEO of Linco Food Systems based out of Trige, Denmark; President and a Board member of Baader Linco Inc. in Kansas City; and a Board member of Baader North America Corp. and the Canadian Centre for Fisheries Innovation. Mr. Miller has been associated with the Baader Group for over 25 years. He also operates Andy Miller Consulting Limited which provides sales and marketing leadership and management consulting services to the Baader Group worldwide, and to other companies.

Mr. Robert E. 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.

9.4 Audit Fees

Ernst & Young LLP ("EY") is the Company's auditing firm. Fees payable for the years ended December 28, 2013 and December 29, 2012 to EY were consistent at $1.1 million and are detailed in the table below.

	2013	**2012**
Audit fees	$452,984	$534,400
Audit-related fees	136,037	167,425
Tax fees	544,454	407,525
Total fees	**$1,133,475**	**$1,109,350**

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 primarily consisted of:

- accounting advisory in connection with new standards implemented in the current fiscal year, as well as various other accounting issues that arose;
- the final stages of the audit of the Icelandic USA Acquisition purchase price allocation; and
- one-time substantive audit procedures relating to Icelandic USA.

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. Other services primarily consisted of tax planning services related to the Company's procurement activities and the American Pride Acquisition.

The Audit Committee approves all non-audit service fees for services provided by the Company's auditors. During the last three fiscal years, accounting firms other than EY were engaged to assist the Company with due diligence, integration support services, investigation counselling and purchase price allocation issues in connection with acquisitions, along with goodwill impairment valuations, the audit of the Business Acquisition Report for the Icelandic (USA) Acquisition, 401(k) audits, and advice on certifying the Company's annual and interim filings in accordance with National Instrument 52-109.

10. TRANSFER AGENTS

CST Trust Company is High Liner Foods' transfer agent and registrar with respect to the shares of the Company. The register of the transfers for common shares is kept at Halifax, Nova Scotia. Their address is:

CST Trust Company
1660 Hollis Street, Suite 406
Halifax, NS B3J 1V7
Tel: 902.420.3821
Fax: 902.420.3242
charrett@canstockta.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. Acquisition of Icelandic Group's U.S. and Asian Operations dated December 19, 2011. On December 19, 2011, High Liner Foods completed the acquisition of Icelandic Group's U.S. and Asian operations. The adjusted purchase price was $232.7 million. In addition, High Liner Foods paid working capital adjustments net of cash balances of $13 million, reflecting the seasonally high working capital levels at the time of the closing of the transaction.

B. High Liner Foods entered into the following financing arrangements on December 19, 2011 (with amendments February 8, 2013), which replaced term and working capital facilities in place at that time:

   a) A five year $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 Bankers' Acceptances ("BA"). Prior to the amendments described below, interest rates and spreads depended 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 a fixed charge coverage ratio of 1.1x to 1.0x. 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. Prior to the amendments described below, the facility allowed the Company to borrow Canadian Prime Rate loans in CAD, and Canadian Base Rate and U.S. Prime Rate loans in USD at Prime or Base Rate plus 0.00% to 1.00%; 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. On February 8, 2013, the working capital facility was amended to change interest rates on the facility to be based on availability on the line rather than a leverage test, which reduced interest rates. This facility now allows the Company to borrow Canadian Prime Rate loans in CAD, and Canadian Base Rate and U.S. Prime Rate loans in USD at Prime or Base Rate plus 0.00% to 0.75%; BA loans at BA rates plus 1.75% to 2.25%; and LIBOR advances at

LIBOR plus 1.75% to 2.25%. Changes also provided more flexibility for future acquisitions.

b) On December 19, 2011 the Company secured a $250 million long-term loan. 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 twenty-three consecutive quarterly instalments, with the unpaid balance due in full on December 19, 2017. Prior to the amendments described below, the agreement included financial covenant requirements of minimum interest coverage ratio, maximum total leverage ratio, and maximum capital expenditures. On February 8, 2013, the term loan was amended to reduce interest rates and provide leverage covenants more favourable to the Company, including the elimination of a minimum interest coverage ratio.

12. ADDITIONAL INFORMATION

Further information, including additional copies of this AIF, the comparative consolidated financial statements and accompanying report of the auditor, the most recent interim financial statements and the MIC for the Company's Annual General Meeting for shareholders to be held on May 8, 2014, 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, P.O. 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 MIC, and additional financial information is provided in the Company's consolidated financial statements and MD&A for the year ended December 28, 2013. All additional information referred to in this AIF may also be found on SEDAR at www.sedar.com.

13. FORWARD-LOOKING INFORMATION

This AIF 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 our business in general are based on a number of factors and assumptions including, but not limited to: availability, demand and prices of raw materials, energy and supplies; the condition of the Canadian and American economies; product pricing; foreign exchange rates, especially the rate of exchange of the Canadian dollar to the U.S. dollar; our ability to attract and retain customers; our operating costs and improvement to operating efficiencies; interest rates; continued access to capital; the competitive environment and related market conditions; 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; expectations with regards to planned growth, product innovation, brand development and anticipated financial performance; acquisitions and integration of same; 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; financing arrangements; dividends and future payments of same; 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 “Risk Factors and Risk Management” section of the Company’s MD&A for the fifty-two week period ended December 28, 2013. 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 USD / CAD 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

(Revised November 2013)

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 and Chief Financial Officer; Vice President, Corporate Affairs and General Counsel; 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.

[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.*

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 Director Internal Audit shall have the right to attend all meetings of the Committee.

7. All Committee members are expected to attend each meeting, in person or via teleconference.

8. The Committee shall meet privately with the external auditors at every meeting and with the Director 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 judgement shall be taken into account in reaching its recommendation to the Board of Directors concerning the approval of the financial information intended for publication.

External Auditing

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

The Committee will carry out the following responsibilities:

18. Review and approve the engagement letter with the external auditors.

19. Review the audit plans of the external auditors, including the co-ordination of audit effort with internal auditing. The Committee shall enquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal control or fraud or other illegal acts. Any significant recommendations made by the auditors for the strengthening of internal controls shall be reviewed and shall be discussed with management, if necessary.

20. Review the performance of the external auditors, and consider whether the external auditors shall be reappointed after obtaining management's view of the competency of the incumbent auditors and recommend accordingly to the Board of Directors.

21. Review and approve the Company's hiring policies regarding employees or former employees of the external auditor (or former auditors).

22. If the Committee considers a change in external auditors appropriate, articulate the reasons for the change, including the response of the incumbent auditors in its recommendation to the Board, and shall oversee the search for and appointment of newly proposed auditors before making a recommendation to the Board of Directors. The Committee shall review all issues related to a change in auditors under National Instrument 51-102.

23. Review and approve the basis and amount of the external auditors' fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of the Company and the extent of the internal audit and other support provided by the Company to the external auditors.

24. Review the nature of any non-audit services proposed to be performed for the Company by the audit firm, and consider whether the nature or extent of such services could detract from the audit firm's independence in carrying out the audit function. The Committee shall pre-approve all non-audit service fees. 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 Director Internal Audit reports directly to the Executive Vice President and CFO 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 Director 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 Director Internal Audit.

28. Review the effectiveness of the internal audit function, and shall on a regular basis and at least semi-annually, meet regularly with the Director 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.