

**Form 51-102F4**

**BUSINESS ACQUISITION REPORT**

**1. Identity of the Company**

**1.1. Name and Address of the Company**

High Liner Foods Incorporated (the "Company")  
100 Battery Point  
PO Box 910  
Lunenburg, Nova Scotia B0J 2C0

**1.2. Executive Officer**

For further information please contact, Tim Rorabeck, Executive Vice President, Corporate Affairs and General Counsel, Tel: 902.421.7103

**2. Details of the Acquisition**

**2.1. Nature of the Business Acquired**

The Company indirectly through a wholly owned subsidiary acquired 100% of the outstanding interests of Rubicon Resources, LLC ("Rubicon"). Rubicon was a privately held U.S. based company engaged principally in the import and distribution of sustainably sourced frozen shrimp products in the private-label U.S. retail market.

**2.2. Date of the Acquisition**

May 30, 2017

**2.3. Consideration**

The purchase price for Rubicon was \$107.0 million prior to transaction fees, and was settled 70% in cash and 30% in common shares of the Company (representing approximately 2.43 million common shares of the Company), with the share consideration subject to a three year standstill agreement during which time the sellers are not permitted to sell the shares (except in limited circumstances). The transaction also included a five-year supply agreements with Rubicon's supply partners based on mutually acceptable terms and a three-year employment contract with Brian Wynn to continue as Rubicon's President.

The acquisition was financed using the Company's existing asset-based revolving credit facility ("ABL"), however the Company subsequently refinanced this debt to a fixed term by replacing this additional ABL debt with a \$70 million addition to its senior secured Term Loan B.

**2.4. Effect on Financial Position**

The effect of the acquisition on the Company's financial position is outlined in the pro forma financial statements attached hereto as Exhibit A. Pro forma leverage is expected to approximate 4.0x by December 30, 2017. The Company expects to operate above its leverage target of 3.0x with the intention of returning to this goal by the end of the next fiscal year.

The Company presently has no plans for material changes in the business or affairs of Rubicon that may have a significant effect on the financial performance or financial position of the Company.

## **2.5. Prior Valuations**

None.

## **2.6. Parties to the Transaction**

The Acquisition was not a transaction with an informed person, associate or affiliate of the Company.

## **2.7. Date of Report**

August 11, 2017

## **3. Financial Statements**

The following financial statements as required by Part 8 of the National Instrument 51-102 are included in the Business Acquisition Report:

- Exhibit A: Unaudited Pro Forma Consolidated Financial Statements of High Liner Foods Incorporated as for the year ended December 31, 2016 and as at and for the three months ended April 1, 2017, together with the notes thereto.
- Exhibit B: Audited Financial Statements of Rubicon Resources, LLC as at and for the year ended December 31, 2016, together with the notes thereto and the report of the auditors thereon. BDO LLP have not given their consent to the inclusion of their auditors' report on the financial statements in this report.
- Exhibit C: Unaudited Financial Statements of Rubicon Resources, LLC as at and for the three months ended March 31, 2017, together with the notes thereto.

The following financial statements are incorporated by reference, and form part of this business acquisition report. These financial statements have been filed under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com):

- The audited annual consolidated financial statements of High Liner Foods Incorporated as at and for the fifty-two weeks ended December 31, 2016 and fifty-two weeks ended January 2, 2016. Ernst & Young LLP have not given their consent to the inclusion of their auditors' report on the financial statements in this report.
- The unaudited interim condensed financial statements of High Liner Foods Incorporated as at and for the thirteen weeks ended April 1, 2017 and April 2, 2016.

## **Forward Looking Statements**

This Report contains certain forward-looking statements concerning the future performance of the Company's business, its operations and its financial results and condition, including relating to the financial performance or position of Rubicon Resources, LLC, changes to financial leverage of High Liner Foods Incorporated, changes to the management and/or operations of Rubicon Resources, LLC. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms. These statements are based on management's assumptions and beliefs in light of the information currently available to them. These forward-looking statements are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These factors include but are not limited to changes in general industry, market and economic conditions, competition from existing and new competitors, energy prices,

supply issues, inventory management, changes in demand due to seasonality of the business, interest rates, changes in laws and regulations, and operating efficiencies, many of which are beyond the Company's control. Therefore, future events and results may vary substantially from what we currently foresee. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

# Exhibit A

**HIGH LINER FOODS INCORPORATED**  
**Unaudited Pro Forma Condensed Interim Consolidated Statement of Financial Position**  
**As at April 1, 2017**  
**in \$000s of United States Dollars**

	High Liner Foods Incorporated	Rubicon Resources LLC	Pro Forma Adjustments (Note 5)	Pro Forma Consolidated
<b>ASSETS</b>				
<b>Current</b>				
Cash	5,106	20,077	(13,924) (l)	11,259
Accounts receivable	102,993	16,002	-	118,995
Income taxes receivable	3,413	-	140 (h)	3,553
Other financial assets	1,020	4,594	(4,594) (l)	1,020
Inventories	218,103	50,825	-	268,928
Prepaid expenses	2,181	1,437	-	3,618
<b>Total current assets</b>	<b>332,816</b>	<b>92,935</b>	<b>(18,378)</b>	<b>407,373</b>
<b>Non-current</b>				
Property, plant and equipment	114,748	172	-	114,920
Deferred income taxes	2,032	-	-	2,032
Other receivables and miscellaneous assets	717	2,980	(2,980) (l)	717
Intangible assets	95,894	-	57,785 (f)	153,679
Goodwill	118,175	-	25,136 (g)	143,311
<b>Total non-current assets</b>	<b>331,566</b>	<b>3,152</b>	<b>79,941</b>	<b>414,659</b>
<b>Total assets</b>	<b>664,382</b>	<b>96,087</b>	<b>61,563</b>	<b>822,032</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>				
Bank loans	8,060	-	-	8,060
Accounts payable and accrued liabilities	101,509	65,347	-	166,856
Due to related parties	-	156	-	156
Provisions	2,936	-	-	2,936
Other current financial liabilities	1,087	-	-	1,087
Other current liabilities	440	-	-	440
Income taxes payable	-	-	-	-
Current portion of finance lease obligations	629	-	-	629
<b>Total current liabilities</b>	<b>114,661</b>	<b>65,503</b>	<b>-</b>	<b>180,164</b>
<b>Non-current liabilities</b>				
Long-term debt	266,407	-	73,725 (i)	340,132
Other long-term financial liabilities	101	-	-	101
Other long-term liabilities	485	-	-	485
Long-term finance lease obligations	685	-	-	685
Deferred income taxes	45,214	-	(6,982) (e)	38,232
Future employee benefits	8,678	-	-	8,678
<b>Total non-current liabilities</b>	<b>321,570</b>	<b>-</b>	<b>66,743</b>	<b>388,313</b>
<b>Total liabilities</b>	<b>436,231</b>	<b>65,503</b>	<b>66,743</b>	<b>568,477</b>
<b>Shareholders' equity</b>				
Common shares	86,102	-	25,685 (j)	111,787
Contributed surplus	14,869	-	-	14,869
Retained earnings	151,044	30,584	(30,865) (k)	150,763
Accumulated other comprehensive loss	(23,864)	-	-	(23,864)
<b>Total shareholders' equity</b>	<b>228,151</b>	<b>30,584</b>	<b>(5,180)</b>	<b>253,555</b>
<b>Total liabilities and shareholders' equity</b>	<b>664,382</b>	<b>96,087</b>	<b>61,563</b>	<b>822,032</b>

*See accompanying notes to the pro forma financial statements*

**HIGH LINER FOODS INCORPORATED**  
**Unaudited Pro Forma Condensed Interim Consolidated Statement of Income**  
**For the thirteen weeks ended April 1, 2017**  
**in \$000s of United States Dollars**

	High Liner Foods Incorporated	Rubicon Resources LLC	Pro Forma Adjustments (Note 5)	Pro Forma Consolidated
Revenues	275,735	56,048	-	331,783
Cost of sales	220,227	51,003	-	271,230
<b>Gross profit</b>	<b>55,508</b>	<b>5,045</b>	<b>-</b>	<b>60,553</b>
Distribution expenses	12,025	-	609 (a)	12,634
Selling, general and administrative expenses	24,990	3,633	(200) (a),(b)	28,423
Business acquisition, integration and other expenses	276	-	(276) (a),(c)	-
<b>Results from operating activities</b>	<b>18,217</b>	<b>1,412</b>	<b>(133)</b>	<b>19,496</b>
Finance costs (income)	3,548	(103)	858 (d)	4,303
<b>Income before income taxes</b>	<b>14,669</b>	<b>1,515</b>	<b>(991)</b>	<b>15,193</b>
Income taxes				
Current	2,908	-	(140) (h)	2,768
Deferred	1,019	-	(299) (e)	720
Total income tax expense	3,927	-	(439)	3,488
<b>Net income</b>	<b>10,742</b>	<b>1,515</b>	<b>(552)</b>	<b>11,705</b>

*See accompanying notes to the pro forma financial statements*

Pro forma earnings per common share

Basic	\$0.35
Diluted	\$0.35

Weighted average number of shares outstanding - Note 5(m)

Basic	33,363,625
Diluted	33,567,104

**HIGH LINER FOODS INCORPORATED**  
**Unaudited Pro Forma Consolidated Statement of Income**  
**For the fifty two weeks ended December 31, 2016**  
**in \$000s of United States Dollars**

	High Liner Foods Incorporated	Rubicon Resources LLC	Pro Forma Adjustments (Note 5)	Pro Forma Consolidated
Revenues	954,987	233,781	-	1,188,768
Cost of sales	753,179	209,016	-	962,195
<b>Gross profit</b>	<b>201,808</b>	<b>24,765</b>	<b>-</b>	<b>226,573</b>
Distribution expenses	43,610	-	5,551 (a)	49,161
Selling, general and administrative expenses	96,978	15,618	(3,240) (a),(b)	109,356
Impairment of property, plant and equipment	2,327	-	-	2,327
Business acquisition, integration and other expenses	4,787	-	-	4,787
<b>Results from operating activities</b>	<b>54,106</b>	<b>9,147</b>	<b>(2,311)</b>	<b>60,942</b>
Finance costs (income)	14,296	(272)	3,362 (d)	17,386
<b>Income before income taxes</b>	<b>39,810</b>	<b>9,419</b>	<b>(5,673)</b>	<b>43,556</b>
Income taxes		-		
Current	8,516	-	172 (h)	8,688
Deferred	(991)	-	(569) (e)	(1,560)
Total income tax expense	7,525	-	(397)	7,128
<b>Net income</b>	<b>32,285</b>	<b>9,419</b>	<b>(5,276)</b>	<b>36,428</b>

*See accompanying notes to the pro forma financial statements*

Pro forma earnings per common share

Basic	\$1.09
Diluted	\$1.08

Weighted average number of shares outstanding - Note 5(m)

Basic	33,346,426
Diluted	33,603,802

**HIGH LINER FOODS INCORPORATED**  
**Notes to the Unaudited Pro Forma Consolidated Financial Statements**  
**In United States dollars, unless otherwise noted**

**1. Basis of Presentation**

The accompanying unaudited pro forma condensed consolidated financial statements (“pro forma financial statements”) of High Liner Foods Incorporated (the “Company” or “High Liner Foods”) have been prepared to give effect to the acquisition of all of the outstanding interests of Rubicon Resources LLC (“Rubicon”) by High Liner Foods on May 30, 2017 (the “Rubicon Acquisition”).

The unaudited pro forma consolidated statements of income for the fifty-two weeks ended December 31, 2016 and the unaudited pro forma condensed interim consolidated statement of income for the thirteen weeks ended April 1, 2017 combine the historical consolidated statements of income of High Liner Foods and Rubicon to give effect to the acquisition as if it had occurred on January 3, 2016. The unaudited pro forma condensed consolidated balance sheet as at April 1, 2017 combines the historical consolidated statement of financial position of High Liner Foods and Rubicon to give effect to the acquisition as if it had occurred on April 1, 2017.

These pro forma financial statements also reflect the effect of the equity issued to Rubicon members and borrowings incurred by High Liner Foods to finance the Rubicon Acquisition.

These pro forma financial statements were based on and should be read in conjunction with the:

- audited consolidated financial statements of High Liner Foods as at and for the fifty-two weeks ended December 31, 2016 and the related notes;
- audited financial statements of Rubicon as of and for the year ended December 31, 2016 and the related notes;
- unaudited condensed interim consolidated financial statements of High Liner Foods as at and for the thirteen weeks ended April 1, 2017 and the related notes; and
- reviewed financial statements of Rubicon as of and for the three months ended March 31, 2017 and the related notes.

The audited consolidated statement of financial position as at December 31, 2016 and the audited consolidated statement of income of High Liner Foods for the fifty-two weeks ended December 31, 2016 were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. The unaudited condensed interim consolidated financial statements of High Liner Foods as at and for the thirteen weeks ended April 1, 2017 were prepared in accordance with IAS 34, *Interim Financial Reporting*. The audited financial statements as of and for the year ended December 31, 2016 and the reviewed financial statements of Rubicon as of and for the 3 months ended March 31, 2017 were prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

For purposes of preparing the pro forma adjustments underlying the pro forma financial statements, there are no significant differences between US GAAP and IFRS that would require adjustment to amounts in Rubicon’s historical financial statements.

The historical financial statements have been adjusted to give effect to pro forma events that are (1) directly attributable to the Rubicon Acquisition, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results.

These pro forma financial statements have been presented for informational purposes only. The pro forma information is not necessarily indicative of what the consolidated financial position or financial performance actually would have been had the acquisition been completed as of the dates indicated and does not purport to project the future financial position or operating results of High Liner Foods.

These pro forma financial statements have been prepared using the acquisition method of accounting in accordance with IFRS 3, *Business Combinations*. The consideration transferred and the preliminary amounts assigned to the identifiable net assets acquired are dependent upon fair value estimates and assumptions as at the acquisition date and therefore, certain valuations are provisional and are subject to change. High Liner Foods will finalize all amounts as it obtains the information necessary to complete the measurement process, which is expected to be no later than one year from the acquisition date. Accordingly, the pro forma adjustments are preliminary. Differences between preliminary estimates and final amounts may occur and these differences could be material to the accompanying pro forma financial statements and High Liner Foods' future financial performance and financial position.

In connection with the Rubicon Acquisition, total acquisition-related transaction costs incurred by High Liner Foods and Rubicon are approximately \$2.4 million, related mostly to legal and advisory costs. Acquisition-related transaction costs are not reflected in the unaudited pro forma consolidated statement of income for the fifty-two weeks ended December 31, 2016 or in the unaudited pro forma condensed interim consolidated financial statements for the thirteen weeks ended April 1, 2017 as they do not have a continuing impact on the operating results. Acquisition-related costs to be incurred by High Liner Foods subsequent to the April 1, 2017 have been reflected in the unaudited pro forma condensed interim consolidated statement of financial position as at April 1, 2017 as a reduction to cash and retained earnings.

These pro forma financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the consolidated company may achieve, the costs to integrate the operations of High Liner Foods and Rubicon or any costs necessary to achieve cost savings, operating synergies and revenue enhancements.

## **2. Description of Transaction**

On May 30, 2017, High Liner Foods finalized the acquisition of all the outstanding interests of Rubicon pursuant to the terms and conditions set forth in the definitive agreement between High Liner Foods (USA) Incorporated, High Liner Foods Incorporated, Rubicon Resources, LLC, its Members and the Member Representative dated May 10, 2017 (the "Agreement").

The total consideration transferred was \$100.6 million, comprised of approximately \$74.9 million of cash and the issuance of approximately 2.43 million High Liner Foods common shares, with a fair value of \$25.7 million as at the acquisition date. The share consideration is subject to a three-year stand-still agreement during which time the sellers are not permitted to sell the shares (except in limited circumstances). The Rubicon Acquisition also includes a five-year supplier agreement with Rubicon's supply partners based on mutually acceptable terms and a three-year continuing employment contract with one member of senior management.

The cash provided in the Rubicon Acquisition was financed using the High Liner Foods existing asset-based revolving credit facility ("ABL"), and then subsequently \$70.0 million was refinanced into High



Liner Foods's senior secured Term Loan B through an additional tranche issuance. In addition, High Liner Foods incurred approximately \$1.3 million in related financing costs that have been capitalized as part of the carrying value of the Term Loan B and amortized using the effective interest rate method.

### 3. Accounting Policies

The accounting policies used in the preparation of the pro forma financial statements are consistent with those described in the audited consolidated financial statements of High Liner Foods for the fifty-two weeks ended December 31, 2016.

High Liner Foods has conducted a review of Rubicon accounting policies and has not identified differences in accounting policies adopted by High Liner Foods and Rubicon. For purposes of these pro forma financial statements, certain reclassification adjustments have been made to the historical financial statements of Rubicon (as described in Note 5(a)) to conform to the presentation adopted by High Liner Foods.

### 4. Estimate of Assets Acquired and Liabilities Assumed

The pro forma financial statements reflect the following preliminary estimate of the assets acquired and liabilities assumed by High Liner Foods in the Rubicon Acquisition, reconciled to the consideration transferred (Note 2) as a result of the Rubicon Acquisition.

	(in \$000s)
Book value of net assets acquired	\$10,736
Fair value and other adjustments to:	
Intangible assets (a)	57,785
Goodwill (b)	25,136
Deferred tax asset	6,982
<b>Estimate of consideration transferred</b>	<b>\$100,639</b>

(a) A preliminary fair value estimate of \$57.8 million has been allocated to identifiable intangible assets acquired, primarily consisting of customer relationships and supplier agreements. High Liner Foods has estimated the fair value of the customer relationships and supplier agreements based on expected cash flows to be generated from those assets.

The preliminary fair value estimates of the identifiable intangible assets and their useful lives are estimated as follows:

(in \$000s)	Estimated Preliminary Fair Value	Estimated remaining useful life (in years)
Customer relationships	\$44,854	25
Supplier agreements	\$12,931	25

(b) After reflecting the preliminary pro forma purchase adjustments identified to date, the excess of the purchase consideration over the adjusted book values of the assets acquired and liabilities assumed as at April 1, 2017 has been presented as "goodwill".

## 5. Pro Forma Adjustments in Connection with the Rubicon Acquisition

This note should be read in conjunction with Note 1. *Basis of Presentation*; Note 2. *Description of Transaction*; and Note 4. *Estimate of Assets Acquired and Liabilities Assumed*. The following summarizes the pro forma adjustments in connection with the Rubicon Acquisition to give effect to the acquisition as if it had occurred on January 3, 2016 for purposes of the unaudited pro forma consolidated statements of income for the fifty-two weeks ended December 31, 2016 and for the unaudited condensed interim consolidated statement of income for the thirteen weeks ended April 1, 2017 and on April 1, 2017 for purposes of the unaudited pro forma condensed interim consolidated statement of financial position.

- (a) To reclassify certain expense categories presented as a single line-item on the statements of income of Rubicon that are presented as separate line items on the statements of income of High Liner Foods.

(in \$000s)	For the fifty-two weeks ended December 31, 2016	For the thirteen weeks ended April 1, 2017
Distribution expenses	\$5,551	\$609
Selling, general and administrative expenses	(5,551)	(778)
Business acquisition, integration and other expenses	-	169
<b>Total</b>	<b>-</b>	<b>-</b>

- (b) To adjust amortization expense for intangible assets acquired (see Note 5(f)) as follows:

(in \$000s)	For the fifty-two weeks ended December 31, 2016	For the thirteen weeks ended April 1, 2017
Estimated amortization of fair value adjustments		
Customer relationships	\$1,794	\$449
Supplier agreements	517	129
<b>Total</b>	<b>\$2,311</b>	<b>\$578</b>

- (c) To reverse the acquisition related legal and advisory costs of \$0.4 million for the thirteen weeks ended April 1, 2017 (nil for the fifty-two weeks ended December 31, 2016) incurred by High Liner Foods and Rubicon in connection with the Rubicon Acquisition as they do not have a continuing impact on the consolidated financial results.
- (d) To adjust for additional interest expense related to the increase in debt facilities by High Liner Foods to finance the Rubicon Acquisition. For purposes of these pro forma financial statements, the term loan has been assumed to have an effective interest rate of 4.46%:

(in \$000s)	For the fifty-two weeks ended December 31, 2016	For the thirteen weeks ended April 1, 2017
Incremental interest expense on Term Loan B	\$3,008	\$752
Amortization of incremental deferred financing costs on Term Loan B	239	60
Incremental interest expense on ABL	115	46
<b>Total</b>	<b>\$3,362</b>	<b>\$858</b>

#### Asset-based revolving credit facility

High Liner Foods has a five year \$180.0 million working capital facility (the “Facility”), with Royal Bank of Canada as Administrative and Collateral Agent, which expires in April 2019. The Facility is asset-based and collateralized by High Liner Foods inventories, accounts receivable and other personal property in Canada and the U.S., subject to a first charge on brands, trade names and related intangibles under High Liner Foods term loan facility, and excluding the assets acquired as part of the Rubicon Acquisition (see Note 2). A second charge over High Liner Foods plant and equipment is also in place. As at April 1, 2017 and December 31, 2016, the Facility allowed High Liner Foods to borrow: Canadian Prime Rate revolving loans, Canadian Base Rate revolving loans and U.S. Prime Rate revolving loans at their respective rates plus 0.00% to 0.25%; BA Equivalent revolving loans and LIBOR revolving loans at their respective rates plus 1.25% to 1.75%; and letters of credit with fees of 1.25% to 1.75%. Standby fees are 0.25% to 0.375% and are required to be paid on the unutilized facility. As at April 1, 2017, High Liner Foods had \$145.4 million of undrawn borrowing facility (December 31, 2016: \$151.6 million).

#### Term Loan B

As at April 1, 2017, High Liner Foods had a \$370.0 million term loan facility with an interest rate of 3.25% plus LIBOR (LIBOR floor of 1.00%), maturing on April 24, 2021. The term loan facility was increased from \$300.0 million to \$370.0 million to facilitate the Rubicon Acquisition. The \$70.0 million addition to the term loan was made in accordance with the term loan credit agreement, which provides for incremental increases that meet stated provisions, at consistent terms.

The regularly scheduled principal repayment terms are \$0.9 million, paid on a quarterly basis. However, during the fifty-two weeks ended December 31, 2016, a payment of \$11.8 million was made due to excess cash flows in 2015, and a voluntary repayment of \$15.0 million was made to reduce excess cash balances. As such, no additional regularly scheduled principal repayments are required for 2017.

Substantially all tangible and intangible assets (excluding working capital) of High Liner Foods are pledged as collateral for the term loan facility.

- (e) To record the tax effect on the pro forma adjustments, using an average statutory tax rate of approximately 39.83%. The effective tax rate of the consolidated company could be significantly different than the statutory tax rate assumed for purposes of preparing these financial statements, as a result of a variety of factors, including post acquisition activities.
- (f) To record a preliminary estimate for intangible assets recognized as part of the Rubicon Acquisition (Note 4(a)).
- (g) To record a preliminary estimate of goodwill recognized as part of the Rubicon Acquisition (Note 4(b)).

(h) To adjust Rubicon income taxes payable as a result of the Rubicon Acquisition.

(i) To adjust long-term debt as follows:

(in \$000s)	
Record additional tranche issuance on Term Loan B	\$70,000
Transaction costs relating to additional issuance on Term Loan B	(1,275)
Incremental drawing on ABL	5,000
<b>Total</b>	<b>\$73,725</b>

(j) To record the issuance of High Liner Foods common shares to the members of Rubicon as follows:

(in \$000s)	
Issuance of common shares to Rubicon members	\$25,758
Costs associated with share issuance	(73)
<b>Total</b>	<b>\$25,685</b>

(k) To adjust retained earnings as follows:

(in \$000s)	
Eliminate Rubicon members equity	\$(30,584)
Payment of acquisition-related transaction costs by High Liner Foods incurred in connection with the Rubicon Acquisition (Note 1)	(281)
<b>Total</b>	<b>\$(30,865)</b>

(l) To adjust cash as follows:

(in \$000s)	
Cash consideration paid to Rubicon members (Note 2)	\$(74,881)
Distributions to members of Rubicon <sup>(i)</sup>	(19,988)
Receipt of members receivable <sup>(ii)</sup>	7,574
Net proceeds from \$70.0 million additional tranche added to Term Loan B (Note 5(i))	68,725
Net proceeds from \$5.0 million incremental draw on the ABL (Note 5(i))	5,000
Payment of acquisition-related transaction costs incurred by High Liner Foods Note 5(k)	(281)
Payment of costs related to shares issued on acquisition	(73)
<b>Total</b>	<b>\$(13,924)</b>

i. In accordance with the Agreement, immediately prior to the Rubicon Acquisition, a cash distribution of \$19,988 was made to members of Rubicon.

ii. Immediately prior to the Rubicon Acquisition, members repaid \$7,574 to Rubicon to satisfy outstanding receivables, of which \$4,594 were current.

(m) The unaudited pro forma basic and diluted earnings per share for the periods presented have been adjusted for the common shares issued by High Liner Foods in connection with the Rubicon Acquisition.

	For the fifty-two weeks ended December 31, 2016	For the thirteen weeks ended April 1, 2017
Basic weighted average High Liner Foods common shares outstanding (as reported)	30,917,412	30,934,611
Adjusted for:		
Issuance of High Liner Foods common shares to Rubicon members	2,429,014	2,429,014
Basic weighted average High Liner Foods common shares outstanding (pro forma)	33,346,426	33,363,625
Diluted weighted average High Liner Foods common shares outstanding (as reported)	31,174,788	31,138,090
Adjusted for:		
Issuance of High Liner Foods common shares to Rubicon members	2,429,014	2,429,014
Diluted weighted average High Liner Foods common shares outstanding (pro forma)	33,603,802	33,567,104

#### **6. Revision of Previously Reported Consolidated Financial Statements of High Liner Foods**

Amounts reported in the unaudited pro forma consolidated statement of income for High Liner Foods have been adjusted to reflect the correction of an immaterial error, which decreased High Liner Foods net income by \$0.7 million, as discussed in the unaudited condensed interim consolidated financial statements as of and for the thirteen weeks ended April 1, 2017.

# Exhibit B



## Rubicon Resources, LLC

Financial Statements  
As of and for the Years Ended  
December 31, 2016 and 2015

# Rubicon Resources, LLC

---

Financial Statements  
As of and for the Years Ended  
December 31, 2016 and 2015

# Rubicon Resources, LLC

## Contents

---

Independent Auditor's Report	3
Financial Statements	
Balance Sheets as of December 31, 2016 and 2015	5
Statements of Income for the Years Ended December 31, 2016 and 2015	6
Statements of Changes in Members' Equity for the Years Ended December 31, 2016 and 2015	7
Statements of Cash Flows for the Years Ended December 31, 2016 and 2015	8
Notes to Financial Statements	9-15





## Independent Auditor's Report

Managing Member of  
Rubicon Resources, LLC  
Culver City, California

We have audited the accompanying financial statements of Rubicon Resources, LLC, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rubicon Resources, LLC as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

April 18, 2017

## Financial Statements

---

# Rubicon Resources, LLC

## Balance Sheets

<i>December 31,</i>	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 29,000,000	\$ 27,956,000
Accounts receivable, net of allowances of \$378,000 and \$273,000, respectively	24,189,000	27,340,000
Inventories	64,172,000	64,617,000
Prepaid expenses and other current assets	1,085,000	307,000
Notes receivable - members	4,526,000	2,305,000
<b>Total current assets</b>	<b>122,972,000</b>	<b>122,525,000</b>
<b>Property and equipment</b>		
Automobiles	163,000	265,000
Furniture, fixtures and equipment	1,072,000	952,000
Leasehold improvements	881,000	881,000
	2,116,000	2,098,000
Less accumulated depreciation and amortization	(1,969,000)	(2,020,000)
<b>Property and equipment, net</b>	<b>147,000</b>	<b>78,000</b>
<b>Notes receivable - members, net of current portion</b>	<b>2,948,000</b>	<b>1,085,000</b>
<b>Total assets</b>	<b>\$ 126,067,000</b>	<b>\$ 123,688,000</b>
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 6,287,000	\$ 15,372,000
Accounts payable - members	83,358,000	73,695,000
<b>Total current liabilities</b>	<b>89,645,000</b>	<b>89,067,000</b>
<b>Commitments and Contingencies (Note 3)</b>		
<b>Members' equity</b>	<b>36,422,000</b>	<b>34,621,000</b>
<b>Total liabilities and members' equity</b>	<b>\$ 126,067,000</b>	<b>\$ 123,688,000</b>

*See accompanying notes to financial statements.*

# Rubicon Resources, LLC

## Statements of Income

---

<i>Years ended December 31,</i>	2016	2015
Net sales	\$ 233,781,000	\$ 257,354,000
Cost of sales	209,016,000	228,707,000
Gross profit	24,765,000	28,647,000
Selling, general and administrative	15,618,000	14,219,000
Operating income	9,147,000	14,428,000
Other income, net	272,000	147,000
Net income	\$ 9,419,000	\$ 14,575,000

---

*See accompanying notes to financial statements.*

# Rubicon Resources, LLC

## Statements of Changes in Members' Equity

---

	Total
<b>Balance, January 1, 2015</b>	\$ 28,175,000
Distributions	(8,129,000)
Net income	14,575,000
<b>Balance, December 31, 2015</b>	34,621,000
Distributions	(7,618,000)
Net income	9,419,000
<b>Balance, December 31, 2016</b>	\$ 36,422,000

---

*See accompanying notes to financial statements.*

# Rubicon Resources, LLC

## Statements of Cash Flows

<i>Years ended December 31,</i>	2016	2015
<b>Cash flows from operating activities</b>		
Net income	\$ 9,419,000	\$ 14,575,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	51,000	54,000
Non-cash interest income	(261,000)	(138,000)
Change in operating assets and liabilities:		
Accounts receivable	3,151,000	5,550,000
Inventories	445,000	16,874,000
Prepaid expenses and other current assets	(778,000)	(53,000)
Accounts payable and accrued expenses	(9,085,000)	(7,365,000)
Accounts payable - members	9,663,000	(3,340,000)
<b>Net cash provided by operating activities</b>	<b>12,605,000</b>	<b>26,157,000</b>
<b>Cash flows from investing activity</b>		
Proceeds from sale of property and equipment	-	66,000
Purchase of property and equipment	(120,000)	(26,000)
Loans to members	(4,000,000)	-
Receipts from notes receivable - members	177,000	177,000
<b>Net cash (used in) provided by investing activity</b>	<b>(3,943,000)</b>	<b>217,000</b>
<b>Cash flows from financing activities</b>		
Members' distributions	(7,618,000)	(8,129,000)
<b>Net cash used in financing activities</b>	<b>(7,618,000)</b>	<b>(8,129,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,044,000</b>	<b>18,245,000</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>27,956,000</b>	<b>9,711,000</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 29,000,000</b>	<b>\$ 27,956,000</b>

*See accompanying notes to financial statements.*

# Rubicon Resources, LLC

## Notes to Financial Statements

---

### 1. Summary of Significant Accounting Policies

#### *Business and Basis of Presentation*

Rubicon Resources, LLC (the "Company") was formed under the laws of the State of Delaware on July 13, 1999 and is an importer and distributor of seafood products throughout the United States.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include accounts receivable allowances and inventory reserves. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

#### *Revenue Recognition*

Revenue is recognized upon shipment of products by the Company, at which time title transfers to the customer, and the sales price is fixed and determinable, and collectability is reasonably assured. All shipments are made only upon written or electronic contractual agreements with the Company's customers.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

#### *Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable are customer obligations due under normal trade terms. The Company sells their products primarily to large supermarket chains. The Company performs continuing credit evaluations of its customers' financial condition and it does not require collateral. The Company's customers are concentrated in the United States.

The allowance for doubtful accounts is maintained at a level that, in management's opinion, is adequate to absorb potential losses related to trade receivables. The allowance for doubtful accounts is based upon management's continuous evaluation of the collectability of outstanding receivables. Management's evaluation takes into consideration such factors as past bad debt experience, economic conditions, and information about specific receivables. The allowance for doubtful accounts is based on estimates and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods that they become known. The allowance is increased by bad debt provisions charged to operating expense and reduced by direct write-offs, net of recoveries.

# Rubicon Resources, LLC

## Notes to Financial Statements

---

### *Promotional Allowances*

The Company accounts for promotional allowances provided to its resellers in accordance with ASC 605, *Revenue Recognition*.

In accordance with ASC 605, where the benefit the Company receives in return for the promotional allowances is sufficiently separable from the resellers' purchase of products, and the estimated fair value of the benefit does not exceed the value of the promotional allowance; the promotional allowances are recorded as selling expense in the statements of income; otherwise such allowances are recorded as a contra to sales. Promotional allowances recorded in selling, general and administrative expenses in the statements of income for the years ended December 31, 2016 and 2015 totaled approximately \$154,000 and \$581,000, respectively.

In the course of business the Company participates in cooperative advertising and other promotional events with major customers. The costs attributed to the Company are netted by these customers against their payments on accounts receivable. As of December 31, 2016 and 2015, allowances for cooperative advertising of \$153,000 and \$47,000, respectively, were recorded within accounts receivable.

### *Fair Value of Financial Instruments*

Financial instruments for which the fair value is the same as carrying value due to the short term nature of the instrument include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and accounts payable - members. The fair value of the notes receivable - member cannot be determined due to the nature of these amounts being due/from to related parties.

### *Concentration of Credit Risk and Credit Risk Evaluations*

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at December 31, 2016 were approximately \$30,300,000.

*The remainder of this page intentionally left blank.*



# Rubicon Resources, LLC

## Notes to Financial Statements

The Company conducts business in the United States on a credit basis. In 2016 and 2015, the Company had the following customer concentrations in excess of 10% of net sales and accounts receivable:

	<i>Percent of Total Net Sales/ Accounts Receivable</i>	
	<b>2016</b>	<b>2015</b>
<b>Customer A</b>		
Net sales	44%	46%
Accounts receivable	51%	50%
<b>Customer B</b>		
Net sales	40%	37%
Accounts receivable	32%	32%
<b>Customer C</b>		
Net sales	11%	10%
Accounts receivable	*	*

\* Less than 10% of net sales or accounts receivable.

### *Inventories*

Inventories, which primarily consist of finished goods comprising purchased seafood products, are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method. The Company evaluates inventory levels and expected usage on a periodic basis and records inventory reserves as required.

### *Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed over the estimated useful lives of the assets utilizing the straight-line method.

<i>Type</i>	<i>Estimated Useful Lives</i>
Furniture, fixtures and equipment	3-10 years
Automobile	5 years
Leasehold improvements	Lesser of lease term or asset life

Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized.

# Rubicon Resources, LLC

## Notes to Financial Statements

---

### *Impairment of Long-Lived Assets*

The Company complies with Accounting Standards Codification (“ASC”) 360, *Property, Plant and Equipment*. In accordance with ASC 360, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset.

The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. During the years ended December 31, 2016 and 2015, management concluded that there was no impairment of the Company’s long-lived assets.

### *Income Taxes*

The activity of the Company is included in the respective tax returns of its members and no income taxes are provided or imposed at the Limited Liability Company level.

The Company follows the accounting guidance for uncertainty in income taxes, which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company does not believe it has any uncertain tax positions that require recognition as of December 31, 2016 and 2015. The Company’s policy is to recognize interest and penalties on unrecognized tax positions, if any, within operations as income tax expense.

For federal income tax purposes, tax years from 2013 onwards remain open for examination by the taxing authorities. For California state tax purposes, tax years from 2012 onwards remain open for examination by the taxing authorities.

## **2. Related Party Transactions**

At December 31, 2016 and 2015, the Company had notes receivable from a member in the amount of \$918,000 and \$1,085,000, respectively, which accrue interest at approximately 1% and 2% per annum. The notes receivable balances of \$789,000 and \$129,000 at December 31, 2016 mature in September 2021 and November 2022, respectively.

The Company has a note from a member in the amount \$2 million that originated in July 2013. In April 2016, the note from a member was amended increasing the amount from \$2 million to \$4 million. In September 2016, the note from a member was amended increasing the amount from \$4 million to \$6 million. The interest rate for the note is 6% per annum. At December 31, 2016 and 2015, the balance on these notes receivable from a member including accrued interest that matured in December 2016 was \$2,444,000 and \$2,305,000, respectively, and the Company is in the process of extending the maturity date. The notes receivable balances including accrued interest of \$2,082,000 and \$2,030,000 at December 31, 2016 mature in December 2017 and 2018, respectively.

# Rubicon Resources, LLC

## Notes to Financial Statements

Notes receivable - members consists of the following:

<i>December 31,</i>	2016	2015
Notes receivable - members	\$ 7,474,000	\$ 3,390,000
Less current portion	4,526,000	2,305,000
Non-current portion of notes receivable - members	\$ 2,948,000	\$ 1,085,000

During the years ended December 31, 2016 and 2015, the Company purchased seafood products totaling \$152,802,000 and \$152,005,000, respectively, from members comprising a majority of its membership interest. Cost of sales on the statements of income consists primarily of costs of inventories sold that were purchased from members.

At December 31, 2016 and 2015, accounts payable in the amount of \$83,358,000 and \$73,695,000, respectively, were due to those members. Certain inventories of the Company, resulting from purchases from members, have been pledged as collateral to the financial institution that has advanced funds to those members.

During 2016 and 2015, the Company purchased \$18,000,000 and \$18,639,000 of seafood products from an entity majority owned by a member, respectively. At December 31, 2016 and 2015, there was \$1,199,000 and \$5,223,000 in accounts payable due to this entity, respectively. In addition, during the years ended December 31, 2016 and 2015, the Company provided \$154,000 and \$246,000 in transaction processing services to the entity, respectively. At December 31, 2016 and 2015, \$5,000 and \$10,000 in accounts receivable was due from this entity, respectively.

In respect of these member transactions in 2016 and 2015, the Company had the following supplier concentrations:

	<i>Percent of Member Purchases/Accounts Payable - Members</i>	
	2016	2015
<b>Supplier A</b>		
Purchases	38%	41%
Accounts payable - members	37%	47%
<b>Supplier B</b>		
Purchases	62%	59%
Accounts payable - members	63%	53%

**Rubicon Resources, LLC**  
**Notes to Financial Statements**

---

**3. Commitments and Contingencies**

*Operating Lease*

The Company leases its office facility from an entity owned by a member of the Company under a non-cancellable agreement expiring in November 2020. The following are the annual lease payments under the operating lease:

<i>Years ending December 31,</i>	<i>Amount</i>
2017	\$ 430,000
2018	430,000
2019	500,000
2020	531,000
<b>Total</b>	<b>\$ 1,891,000</b>

The Company sub-leases part of this facility, which will generate rental income of \$102,000, \$102,000 and \$31,000 in 2017, 2018 and 2019, respectively. There are no sub-leases that extend beyond 2019.

Total rent expense for the years ended December 31, 2016 and 2015 was \$430,000 and \$430,000, respectively, net of sublease income of \$102,000 and \$101,000, respectively.

*Legal*

From time to time, the Company is a party to legal actions arising in the normal course of business. In the opinion of management, resolution of such matters will not have a material adverse effect on the financial position and operating results of the Company.

On June 15, 2016, a case was filed by seven Cambodian nationals (plaintiffs), under the civil remedy provision of the Trafficking Victims Protection Reauthorization Act ("TVPRA") and the Alien Tort Statute ("ATS") against the companies owned by members of the Company, including the Company (defendants). The plaintiffs had worked at either one of two factories in Songkhla, Thailand owned by certain members of the Company, which processed shrimp and other types of fish. The plaintiffs allege that they were recruited to work in the two seafood processing factories in Thailand, and that once they arrived at the factories, were compelled to work under conditions that amounted to forced labor. The plaintiffs allege that the two factories engaged in the forced labor and that the defendants benefited from the forced labor. The plaintiffs seek compensatory and punitive damages and attorneys' fees.

On August 10, 2016, the defendants moved to dismiss the plaintiffs' action on various grounds, including lack of subject matter jurisdiction because there was no basis under the TVPRA or ATS for extraterritorial jurisdiction. On November 9, 2016, the Court granted in part and denied in part the motion to dismiss. The Court dismissed, with prejudice, the ATS count against all defendants, but ruled that the pleadings adequately stated TVPRA counts over which the Court had subject matter jurisdiction.

# Rubicon Resources, LLC

## Notes to Financial Statements

---

Currently, the case is proceeding through the discovery phase and the court-ordered mediation. Management and the Company's legal counsel believe that the likelihood of an unfavorable outcome is neither probable nor remote and the amount of loss, if any, cannot be estimated at this time.

Estimates of probable losses resulting from litigation and governmental proceedings are inherently difficult to predict, particularly when the matters are in the procedural stages or with unspecified or indeterminate claims for damages, potential penalties, or fines. Accordingly, the Company cannot determine the final amount, if any, of its liability as of December 31, 2016, nor is it possible to estimate what litigation-related costs will be in the future.

### *Guarantee of Member Financing Arrangement*

Certain members of the Company finance their exports of seafood products to the Company. As part of this financing arrangement, the Company has granted a security interest in substantially all of its inventory and proceeds thereon arising from purchases from its members and has guaranteed its members' borrowings to the extent that such borrowings were used in connection with the exportation of seafood products to the Company. The Company has deemed the amount of the guarantee to be the open accounts payable to its members. As of December 31, 2016 and 2015, the Company's open accounts payable to its members was \$83,358,000 and \$73,695,000, respectively.

### **4. Revolving Line of Credit**

On May 24, 2016, the Company entered into a loan agreement with a lender. The loan agreement provides for \$2.5 million revolving line of credit that matures on June 30, 2018. The line of credit bears an annual interest based on an index rate determined by the lender. At December 31, 2016, the interest rate of the line of credit was 3.75% and no amount was drawn from the revolving line of credit. The line of credit is secured by substantially all the assets of the Company. The Company is subject to certain financial and non-financial covenants under the loan agreement and was in compliance with these covenants as of December 31, 2016.

### **5. Profit Sharing Plan**

The Company offers a 401(k) Profit Sharing Plan (the "Plan") to all employees who meet the Plan's eligibility requirements. Under the Plan, participating employees may defer a percentage of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. The Company matches 25% of employee's elective deferral contributions. Employees become vested in employer contributions gradually and are fully vested after six years of service. The Company matching contribution expense amounted to \$42,000 and \$50,000 for the years ended December 31, 2016 and 2015, respectively.

### **6. Subsequent Events**

The Company evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. The Company evaluated subsequent events through April 18, 2017, which is the date the financial statements were available to be issued.

In January 2017 and February 2017, the Company made a total of \$6,000,000 cash distributions to its members.

# Exhibit C

## Rubicon Resources, LLC

---

Reviewed Financial Statements  
As of March 31, 2017 and December 31, 2016 and  
For the Three Months Ended March 31, 2017 and 2016

# Rubicon Resources, LLC

## Contents

---

Independent Accountant's Report on Reviewed Financial Statements	3
<b>Reviewed Financial Statements</b>	
Balance Sheets as of March 31, 2017 and December 31, 2016	5
Statements of Income for the Three Months Ended March 31, 2017 and 2016	6
Statements of Changes in Members' Equity for the Three Months Ended March 31, 2017 and 2016	7
Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016	8
Notes to Reviewed Financial Statements	9-16

## Reviewed Financial Statements

---



# Rubicon Resources, LLC

## Balance Sheets

	March 31, 2017	December 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,077,000	\$ 29,000,000
Accounts receivable, net of allowances of \$495,000	16,002,000	24,189,000
Inventories	50,825,000	64,172,000
Prepaid expenses and other current assets	1,437,000	1,085,000
Notes receivable - members	4,594,000	4,526,000
<b>Total current assets</b>	<b>92,935,000</b>	<b>122,972,000</b>
<b>Property and equipment</b>		
Automobiles	163,000	163,000
Furniture, fixtures and equipment	1,118,000	1,072,000
Leasehold improvements	881,000	881,000
	2,162,000	2,116,000
Less accumulated depreciation and amortization	(1,990,000)	(1,969,000)
<b>Property and equipment, net</b>	<b>172,000</b>	<b>147,000</b>
<b>Notes receivable - members, net of current portion</b>	<b>2,980,000</b>	<b>2,948,000</b>
<b>Total assets</b>	<b>\$ 96,087,000</b>	<b>\$ 126,067,000</b>
<b>Liabilities and Members' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 4,284,000	\$ 6,287,000
Accounts payable - members	61,219,000	83,358,000
<b>Total current liabilities</b>	<b>65,503,000</b>	<b>89,645,000</b>
<b>Commitments and Contingencies (Note 3)</b>		
<b>Members' equity</b>	<b>30,584,000</b>	<b>36,422,000</b>
<b>Total liabilities and members' equity</b>	<b>\$ 96,087,000</b>	<b>\$ 126,067,000</b>

*See accompanying notes to financial statements and independent accountant's review report.*

# Rubicon Resources, LLC

## Statements of Income

---

<i>Three Months Ended March 31,</i>	2017	2016
Net sales	\$ 56,048,000	\$ 51,080,000
Cost of sales	51,003,000	45,959,000
Gross profit	5,045,000	5,121,000
Selling, general and administrative	3,633,000	3,479,000
Operating income	1,412,000	1,642,000
Other income, net	103,000	4,000
Net income	\$ 1,515,000	\$ 1,646,000

*See accompanying notes to financial statements and independent accountant's review report.*

# Rubicon Resources, LLC

## Statements of Changes in Members' Equity

---

	Total
<b>Balance, January 1, 2017</b>	<b>\$ 36,422,000</b>
Distributions	(7,353,000)
Net income	1,515,000
<b>Balance, March 31, 2017</b>	<b>\$ 30,584,000</b>

---

---

	Total
<b>Balance, January 1, 2016</b>	<b>\$ 34,621,000</b>
Distributions	(2,150,000)
Net income	1,646,000
<b>Balance, March 31, 2016</b>	<b>\$ 34,117,000</b>

---

*See accompanying notes to financial statements and independent accountant's review report.*

# Rubicon Resources, LLC

## Statements of Cash Flows

<i>Three Months Ended March 31,</i>	2017	2016
<b>Cash flows from operating activities</b>		
Net income	\$ 1,515,000	\$ 1,646,000
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	21,000	10,000
Non-cash interest income	(100,000)	-
Change in operating assets and liabilities:		
Accounts receivable	8,187,000	13,970,000
Inventories	13,347,000	13,352,000
Prepaid expenses and other current assets	(352,000)	13,000
Accounts payable and accrued expenses	(2,003,000)	(7,490,000)
Accounts payable - members	(22,139,000)	(13,799,000)
Net cash (used in) provided by operating activities	(1,524,000)	7,702,000
<b>Cash flows from investing activity</b>		
Purchase of property and equipment	(46,000)	(10,000)
Net cash used in investing activity	(46,000)	(10,000)
<b>Cash flows from financing activities</b>		
Members' distributions	(7,353,000)	(2,150,000)
Net cash used in financing activities	(7,353,000)	(2,150,000)
Net (decrease) increase in cash and cash equivalents	(8,923,000)	5,542,000
Cash and cash equivalents, beginning of period	29,000,000	27,956,000
Cash and cash equivalents, end of period	\$ 20,077,000	\$ 33,498,000

*See accompanying notes to financial statements and independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

### 1. Summary of Significant Accounting Policies

#### *Business and Basis of Presentation*

Rubicon Resources, LLC (the "Company") was formed under the laws of the State of Delaware on July 13, 1999 and is an importer and distributor of seafood products throughout the United States.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in preparing these financial statements include accounts receivable allowances and inventory reserves. Actual results could differ from those estimates and such differences could be material to the financial position and results of operations.

#### *Revenue Recognition*

Revenue is recognized upon shipment of products by the Company, at which time title transfers to the customer, and the sales price is fixed and determinable, and collectability is reasonably assured. All shipments are made only upon written or electronic contractual agreements with the Company's customers.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid investments with original maturities of 90 days or less at the time of purchase to be cash equivalents.

#### *Accounts Receivable and Allowance for Doubtful Accounts*

Accounts receivable are customer obligations due under normal trade terms. The Company sells their products primarily to large supermarket chains. The Company performs continuing credit evaluations of its customers' financial condition and it does not require collateral. The Company's customers are concentrated in the United States.

The allowance for doubtful accounts is maintained at a level that, in management's opinion, is adequate to absorb potential losses related to trade receivables. The allowance for doubtful accounts is based upon management's continuous evaluation of the collectability of outstanding receivables. Management's evaluation takes into consideration such factors as past bad debt experience, economic conditions, and information about specific receivables. The allowance for doubtful accounts is based on estimates and ultimate losses may vary from current estimates. As adjustments to these estimates become necessary, they are reported in earnings in the periods that they become known. The allowance is increased by bad debt provisions charged to operating expense and reduced by direct write-offs, net of recoveries.

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

### *Promotional Allowances*

The Company accounts for promotional allowances provided to its resellers in accordance with ASC 605, *Revenue Recognition*.

In accordance with ASC 605, where the benefit the Company receives in return for the promotional allowances is sufficiently separable from the resellers' purchase of products, and the estimated fair value of the benefit does not exceed the value of the promotional allowance; the promotional allowances are recorded as selling expense in the statements of income; otherwise such allowances are recorded as a contra to sales. Promotional allowances recorded in selling, general and administrative expenses in the statements of income for the three months ended March 31, 2017 and 2016 totaled approximately \$39,000 and \$15,000, respectively.

In the course of business the Company participates in cooperative advertising and other promotional events with major customers. The costs attributed to the Company are netted by these customers against their payments on accounts receivable. As of March 31, 2017 and December 31, 2016, allowances for cooperative advertising of \$270,000 and \$153,000, respectively, were recorded within accounts receivable.

### *Fair Value of Financial Instruments*

Financial instruments for which the fair value is the same as carrying value due to the short term nature of the instrument include cash and cash equivalents, accounts receivable, accounts payable and accrued expenses and accounts payable - members. The fair value of the notes receivable - member cannot be determined due to the nature of these amounts being due/from to related parties.

### *Concentration of Credit Risk and Credit Risk Evaluations*

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has never experienced any losses related to these balances. Amounts on deposit in excess of federally insured limits at March 31, 2017 were approximately \$19,556,000.

*The remainder of this page intentionally left blank.*

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

The Company conducts business in the United States on a credit basis. For the three months ended March 31, 2017 and 2016, the Company had the following customer concentrations in excess of 10% of net sales:

<i>Three Months Ended March 31,</i>	<i>Percent of Total Net Sales</i>	
	<i>2017</i>	<i>2016</i>
Customer A	45%	49%
Customer B	36%	38%
Customer C	15%	10%

\* Less than 10% of net sales.

As of March 31, 2017 and December 31, 2016, the Company had the following customer concentrations in excess of 10% of accounts receivable:

	<i>Percent of Accounts Receivable</i>	
	<i>March 31, 2017</i>	<i>December 31, 2016</i>
Customer A	41%	51%
Customer B	52%	32%

### *Inventories*

Inventories, which primarily consist of finished goods comprising purchased seafood products, are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method. The Company evaluates inventory levels and expected usage on a periodic basis and records inventory reserves as required.

### *Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed over the estimated useful lives of the assets utilizing the straight-line method.

<i>Type</i>	<i>Estimated Useful Lives</i>
Furniture, fixtures and equipment	3-10 years
Automobile	5 years
Leasehold improvements	Lesser of lease term or asset life

Maintenance and repairs are charged to expense as incurred; improvements and betterments are capitalized.

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

### *Impairment of Long-Lived Assets*

The Company complies with Accounting Standards Codification (“ASC”) 360, *Property, Plant and Equipment*. In accordance with ASC 360, the Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset.

The amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset. During the three months ended March 31, 2017 and 2016, management concluded that there was no impairment of the Company’s long-lived assets.

### *Income Taxes*

The activity of the Company is included in the respective tax returns of its members and no income taxes are provided or imposed at the Limited Liability Company level.

The Company follows the accounting guidance for uncertainty in income taxes, which establishes that a tax position taken or expected to be taken in a tax return is to be recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Company does not believe it has any uncertain tax positions that require recognition as of March 31, 2017 and December 31, 2016. The Company’s policy is to recognize interest and penalties on unrecognized tax positions, if any, within operations as income tax expense.

For federal income tax purposes, tax years from 2013 onwards remain open for examination by the taxing authorities. For California state tax purposes, tax years from 2012 onwards remain open for examination by the taxing authorities.

## **2. Related Party Transactions**

At March 31, 2017 and December 31, 2016, the Company had notes receivable from a member in the amount of \$920,000 and \$918,000, respectively, which accrued interest at approximately 1% per annum. The notes receivable balances of \$791,000 and \$129,000 at March 31, 2017 were to mature in September 2021 and November 2022, respectively.

The Company had a note from a member in the amount \$2 million that originated in July 2013. In April 2016, the note from a member was amended increasing the amount from \$2 million to \$4 million. In September 2016, the note from a member was amended increasing the amount from \$4 million to \$6 million. The interest rate for the note was 6% per annum. At March 31, 2017 and December 31, 2016, the balance on these notes receivable from a member including accrued interest was \$6,654,000 and \$6,556,000, respectively. The notes receivable balances including accrued interest of \$4,594,000 and \$2,060,000 were to mature in December 2017 and in December 2018, respectively.

*See accompanying independent accountant’s review report.*



# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

Notes receivable - members consists of the following:

	March 31, 2017	December 31, 2016
Notes receivable - members	\$ 7,574,000	\$ 7,474,000
Less current portion	4,594,000	4,526,000
Non-current portion of notes receivable - members	\$ 2,980,000	\$ 2,948,000

All the notes receivable from members were fully repaid subsequent to March 31, 2017 (see Note 6).

During the three months ended March 31, 2017 and 2016, the Company purchased seafood products totaling \$30,117,000 and \$27,183,000, respectively, from members comprising a majority of its membership interest. Cost of sales on the statements of income consists primarily of costs of inventories sold that were purchased from members.

At March 31, 2017 and December 31, 2016, accounts payable in the amount of \$61,219,000 and \$83,358,000, respectively, were due to those members. Certain inventories of the Company, resulting from purchases from members, have been pledged as collateral to the financial institution that has advanced funds to those members.

During the three months ended March 31, 2017 and 2016, the Company purchased \$2,165,000 and \$3,760,000, respectively, of seafood products from an entity majority owned by a member. At March 31, 2017 and December 31, 2016, there was \$156,240 and \$1,199,000 in accounts payable due to this entity, respectively. In addition, during the three months ended March 31, 2017, the Company provided \$50,000 in transaction processing services to the entity. At both March 31, 2017 and December 31, 2016, there was \$5,000 in accounts receivable due from this entity.

In respect of these member transactions in 2017 and 2016, the Company had the following supplier concentrations in excess of 10% of member purchases:

<i>Three Months Ended March 31,</i>	<i>Percent of Member Purchases</i>	
	2017	2016
Supplier A	75 %	58 %
Supplier B	25 %	42 %

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

As of March 31, 2017 and December 31, 2016, the Company had the following supplier concentrations for member accounts payables:

	<i>Percent of</i>	
	<i>Accounts Payables - Member</i>	
	<u>March 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>
Supplier A	65%	60%
Supplier B	35%	40%

---

### 3. Commitments and Contingencies

#### *Operating Lease*

The Company leases its office facility from an entity owned by a member of the Company under a non-cancellable agreement expiring in November 2020. The following are the annual lease payments under the operating lease:

<i>Years ending December 31,</i>	<i>Amount</i>
2017 Remainder	\$ 322,000
2018	430,000
2019	500,000
2020	509,000
Total	\$ 1,761,000

---

The Company sub-leases part of this facility, which will generate rental income of \$102,000 and \$31,000 in 2018 and 2019, respectively. There are no sub-leases that extend beyond 2019.

Total rent expense for the three months ended March 31, 2017 and 2016 was \$107,000, net of sublease income of \$25,000 and \$107,000, net of sublease income of \$25,000, respectively.

#### *Legal*

From time to time, the Company is a party to legal actions arising in the normal course of business. In the opinion of management, resolution of such matters will not have a material adverse effect on the financial position and operating results of the Company.

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

On June 15, 2016, a case was filed by seven Cambodian nationals (plaintiffs), under the civil remedy provision of the Trafficking Victims Protection Reauthorization Act ("TVPRA") and the Alien Tort Statute ("ATS") against the companies owned by members of the Company, including the Company (defendants). The plaintiffs had worked at either one of two factories in Songkhla, Thailand owned by certain members of the Company, which processed shrimp and other types of fish. The plaintiffs allege that they were recruited to work in the two seafood processing factories in Thailand, and that once they arrived at the factories, were compelled to work under conditions that amounted to forced labor. The plaintiffs allege that the two factories engaged in the forced labor and that the defendants benefited from the forced labor. The plaintiffs seek compensatory and punitive damages and attorneys' fees.

On August 10, 2016, the defendants moved to dismiss the plaintiffs' action on various grounds, including lack of subject matter jurisdiction because there was no basis under the TVPRA or ATS for extraterritorial jurisdiction. On November 9, 2016, the Court granted in part and denied in part the motion to dismiss. The Court dismissed, with prejudice, the ATS count against all defendants, but ruled that the pleadings adequately stated TVPRA counts over which the Court had subject matter jurisdiction.

As a result of the court ordered mediation resulting in no settlement, the case is proceeding through the discovery phase. Management and the Company's legal counsel believe that the likelihood of an unfavorable outcome is neither probable nor remote and the amount of loss, if any, cannot be estimated at this time.

Estimates of probable losses resulting from litigation and governmental proceedings are inherently difficult to predict, particularly when the matters are in the procedural stages or with unspecified or indeterminate claims for damages, potential penalties, or fines. Accordingly, the Company cannot determine the final amount, if any, of its liability as of March 31, 2017, nor is it possible to estimate what litigation-related costs will be in the future.

### *Guarantee of Member Financing Arrangement*

Certain members of the Company finance their exports of seafood products to the Company. As part of this financing arrangement, the Company has granted a security interest in substantially all of its inventory and proceeds thereon arising from purchases from its members and has guaranteed its members' borrowings to the extent that such borrowings were used in connection with the exportation of seafood products to the Company. The Company has deemed the amount of the guarantee to be the open accounts payable to its members. As of March 31, 2017 the Company's open accounts payable to its members was \$61,219,000.

*See accompanying independent accountant's review report.*

# Rubicon Resources, LLC

## Notes to Reviewed Financial Statements

---

### 4. Revolving Line of Credit

On May 24, 2016, the Company entered into a loan agreement with a lender. The loan agreement provides for \$2.5 million revolving line of credit that matures on June 30, 2018. The line of credit bears an annual interest based on an index rate determined by the lender. At both March 31, 2017 and December 31, 2016, the interest rate of the line of credit was 3.75% and no amount was drawn from the revolving line of credit. The line of credit is secured by substantially all the assets of the Company. The Company is subject to certain financial and non-financial covenants under the loan agreement and was in compliance with these covenants as of March 31, 2017 and December 31, 2016.

### 5. Profit Sharing Plan

The Company offers a 401(k) Profit Sharing Plan (the "Plan") to all employees who meet the Plan's eligibility requirements. Under the Plan, participating employees may defer a percentage of their eligible pretax earnings up to the Internal Revenue Service's annual contribution limit. The Company matches 25% of employee's elective deferral contributions. Employees become vested in employer contributions gradually and are fully vested after six years of service. The Company matching contribution expense amounted to \$11,000 and \$10,000 for the three months ended March 31, 2017 and 2016, respectively.

### 6. Subsequent Events

The Company evaluates subsequent events in accordance with ASC 855, *Subsequent Events*. The Company evaluated subsequent events through August 8, 2017, which is the date the financial statements were available to be issued.

On May 30, 2017, the Members of the Company sold 100% of their membership interest in the Company to a subsidiary of High Liner Foods. As part of that transaction, all notes receivable from members were repaid. In addition, as part of the transaction, the Members of the Company agreed that the legal expenses related to defending the Cambodian nationals up through May 30, 2017 would be borne 80% by the Members of the Company and 20% by the Company. In addition, the Members have indemnified the Company for all future legal expenses and settlement costs, if any, that arise subsequent to May 30, 2017.

On May 15, 2017, the Company cancelled its \$2.5 million revolving line of credit with its lender.

*See accompanying independent accountant's review report.*