The preparation of our consolidated financial statements requires management to make certain estimates and assumptions. The estimates and assumptions are based on our experience combined with management's understanding of facts and circumstances at the time. These estimates may differ from actual results, and certain estimates are considered critical as they are both important to reflect the Company's financial position and results of operations and require a significant or complex judgment on the part of management. The following is a summary of certain accounting estimates or policies considered critical by management.

8. RISK MANAGEMENT

High Liner has a strategic approach to risk management. To achieve a superior return on investment, we have designed an enterprise-wide approach, from the top down, to ensure we can identify, prioritize, and manage risk effectively and consistently across the organization.

8.1 BOARD ACCOUNTABILITY

The Board of Directors oversees risk management at High Liner, and has delegated to the Audit Committee the task of providing reasonable assurance that we appropriately identify and manage risks. The Audit Committee reviews at least annually the Company's Business Risk Management policies, including the *Price Risk Management Policy*, and reviews and approves the disclosure of risk factors in this MD&A and in other public documents issued by High Liner. Price and financial risks are reviewed at each Audit Committee meeting, including the Company's Credit Policy and exposures. The Audit Committee also annually reviews the Company's insurance program.

We have identified nine principal risks that could have a significant, adverse impact on our performance, reputation or ability to service our customers and have, in the absence of controls, a reasonable probability of occurring. Every principal risk is assigned to at least one member of our senior management team or to a board or management committee who has reporting, oversight, and operational accountability for the risk. These risks are regularly reviewed by our senior management team, and by one or more internal committees or Board committees, which have governance and oversight accountability for the risk. This commentary is from a high-level perspective on the nature of each risk and describes the main practices in place to manage these risks. Additional discussion of some of these risks is included in our 2011 Annual Information Form, available at www.highlinerfoods.com or at www.sedar.com.

8.2 PROCUREMENT

Senior management accountability:
Paul Snow, Vice President Procurement

Board oversight accountability: Audit Committee

We are dependent upon the procurement of frozen raw seafood materials and finished goods on world markets. The Canadian operation buys as much as $200 million and the U.S. operation, including Viking and Icelandic USA, buys as much as $400 million of these products annually. Prices can fluctuate and there is no formal commercial mechanism for hedging either sales or purchases. Purchases of seafood on global markets are principally in U.S. dollars. We hedge exposures to currency changes, and we enter into longer-term supply contracts when possible. All foreign currency hedging activities are carried out in accordance with our formal *Price Risk Management Policy*, under the oversight of the Audit Committee.

Our strategy is to always have at least two suppliers of seafood products when we can. A very small percentage of our supply is single sourced.

A strong Canadian dollar offsets increases in the U.S. dollar cost of raw materials for our Canadian operations, and conversely when the dollar weakens, it increases our costs.

After substantial seafood cost increases in 2008, we saw cost decreases in late 2009 for most of the fish species we procured. The cost decreases reached their low point in 2009 and we continued to experience lower costs in the first half of 2010 due to contracts we had in place that were in effect for part of 2010 and as a result of low cost inventory we had on hand at the end of 2009. In 2011, we saw a trend for increasing cost during the year and into 2012. We expect[1] to have higher average seafood costs in 2012 than in 2011. See section 8.4 below for a more extensive discussion on the impact of foreign exchange on our operating results.

As we purchase all seafood that we sell, we have developed close relationships with key suppliers. We currently purchase significant quantities of frozen raw material and finished goods originating from all over the world. Our supplier base is diverse to ensure no over-reliance on any source. We also maintain strict *Supplier Approval and Audit Standards*. Through audit procedures, all food suppliers are required to meet our quality control and safety standards, which, in many instances, are higher than regulatory standards. All raw materials are inspected, to assure consumers that High Liner quality is consistent, regardless of source or origin.

We sometimes pay for finished goods upon shipment from Asia, or we acquire seafood raw material and negotiate processing arrangements with suppliers to convert that raw material into our finished goods or raw material for our North American plants. In some instances, this means the outlay of cash for inventory is 90 days or more. We are doing this to ensure we receive the seafood we require and are receiving better prices from suppliers as a result. Although