HIGH LINER FOODS

SECOND QUARTER
REPORT TO SHAREHOLDERS

Twenty-six weeks ended July 2, 2022

Due to a typographical error, the Consolidated Statements of Income was inadvertently missing the line “Impairment of property, plant and equipment” which for the thirteen weeks and the twenty-six weeks ended July 2, 2022 equalled $51 (*in thousands of United States dollars*). All other numbers and totals, including those in Adjusted EBITDA and Net Income, remain unchanged. High Liner Foods does not consider this to be a material amount, however, the Company is re-filling in the interest of full disclosure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the thirteen and twenty-six weeks ended July 2, 2022

(All amounts are in United States dollars unless otherwise stated)

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A"), dated August 10, 2022, relates to the financial condition and results of operations of High Liner Foods Incorporated for the thirteen and twenty-six weeks ended July 2, 2022, compared to the thirteen and twenty-six weeks ended July 3, 2021. Throughout this discussion, "We", "Us", "Our", "Company" and "High Liner Foods" refer to High Liner Foods Incorporated and its businesses and subsidiaries.

This document should be read in conjunction with the Company's 2021 Annual Report and Unaudited Condensed Interim Consolidated Financial Statements as at and for the twenty-six weeks ended July 2, 2022 ("Consolidated Financial Statements"), prepared in accordance with International Financial Reporting Standards ("IFRS"). The information contained in this document, including forward-looking statements, is based on information available to Management as of August 10, 2022, except as otherwise noted.

Currency

All amounts in this MD&A are in United States dollars ("USD"), unless otherwise noted. Although the functional currency of High Liner Foods' Canadian company (the "Parent") is the Canadian dollar ("CAD"), management believes the USD presentation better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion into the presentation currency.

For the purpose of presenting the Consolidated Financial Statements in USD, CAD-denominated assets and liabilities in the Parent's operations are converted using the exchange rate at the reporting date, and revenue and expenses are converted at the average exchange rate of the month in which the transaction occurs. As such, foreign currency fluctuations affect the reported values of individual lines on our balance sheet and income statement. When the USD strengthens (weakening CAD), the reported USD values of the Parent's CAD-denominated items decrease in the Consolidated Financial Statements, and the opposite occurs when the USD weakens (strengthening CAD).

In some parts of this document, balance sheet and operating items of the Parent are discussed in the CAD functional currency (the "domestic currency" of the Parent) to eliminate the effect of fluctuating foreign exchange rates used to translate the Parent's operations to the USD presentation currency.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements within the meaning of securities laws. In particular, these forward-looking statements are based on a variety of factors and assumptions that are discussed throughout this document. In addition, these statements and expectations concerning the performance of the 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 CAD to the USD; the ability to attract and retain customers; 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 growth strategies and their impact on the Company's market share and shareholder value; anticipated financial performance, including earnings trends and growth; achievement, and timing of achievement, of strategic goals and publicly stated financial targets, including to increase our market share, acquire and integrate other businesses and reduce operating and supply chain costs; the ability to develop new and innovative products that result in increased sales and market share; increased demand for the Company's products whether due to the recognition of the health benefits of seafood or otherwise; changes in costs for seafood and other raw materials; any proposed disposal of assets and/or operations; increases or decreases in processing costs; the USD/CAD exchange rate; percentage of sales from the Company's brands; expectations with regards to sales volume, earnings, product margins, product innovations, brand development and anticipated financial performance; competitor reaction to Company strategies and actions; impact of price increases or decreases on future profitability; sufficiency of working capital facilities; future income tax rates; the expected amount and timing of integration activities related to acquisitions; expected leverage levels and expected Net Debt to Adjusted EBITDA; statements under the "outlook" heading including expected demand, sales of new product, the efficiency of plant production and U.S. tariffs on certain seafood products imported from China; expected amount and timing of cost savings related to the optimization of the Company's structure; decreased leverage in the future; estimated capital spending; future inventory trends and seasonality; market forces and the maintenance of existing customer and supplier relationships; availability of credit facilities; the projection of excess cash flow and minimum repayments under the Company's long-term loan facility; expected decreases in debt-to-capitalization ratio; dividend payments; the amount and timing of the capital expenditures in excess of normal requirements to allow the movement of production between plants; and expectations regarding the potential future impact of the 2019 coronavirus pandemic on the Company's operations and performance, customer and consumer behavior and economic patterns.

Forward-looking statements can generally be identified by the use of the conditional tense, the words "may", "should", "would", "could", "believe", "plan", "expect", "intend", "anticipate", "estimate", "foresee", "objective", "goal", "remain" 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* section of our 2021 Annual Report and the *Risk Factors* section of our 2021 Annual Information Form. 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: compliance with food safety laws and regulations; timely identification of and response to events that could lead to a product recall; volatility in the CAD/USD exchange rate; competitive developments including increases in overseas seafood production and industry consolidation; availability and price of seafood raw materials and finished goods and the impact of geopolitical events (and related economic sanctions) on the same; the impact of the U.S. Trade Representative's tariffs on certain seafood products; costs of commodity products, freight, storage and other production inputs, and the ability to pass cost increases on to customers; successful integration of acquired operations; potential increases in maintenance and operating costs; shifts in market demands for seafood; performance of new products launched and existing products in the market place; changes in laws and regulations, including environmental, taxation and regulatory requirements; technology changes with respect to production and other equipment and software programs; enterprise resource planning system risk; adverse impacts of cybersecurity attacks or breach of sensitive information; supplier fulfillment of contractual agreements and obligations; competitor reactions; completion and/or advancement of sustainability initiatives, including, without limitation, initiatives relating to the carbon workplan, waste reduction and/or seafood sustainability and traceability initiatives; High Liner Foods' ability to generate adequate cash flow or to finance its future business requirements through outside sources; credit risk associated with receivables from customers; volatility associated with the funding status of the Company's post-retirement pension benefits; adverse weather conditions and natural disasters; the availability of adequate levels of insurance; management retention and development; economic and geopolitical conditions such as Russia's invasion of Ukraine and the implementation and/or expansion of related sanctions policies; and the potential impact of a pandemic outbreak of a contagious illness, such as the 2019 coronavirus/COVID-19 pandemic, on general economic and business conditions and therefore the Company's operations and financial performance.

Forward-looking information is based on management's current estimates, expectations and assumptions, which we believe 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 laws, 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.

COMPANY OVERVIEW

High Liner Foods, through its predecessor companies, has been in business since 1899 and has been a publicly traded Canadian company since 1967, trading under the symbol 'HLF' on the Toronto Stock Exchange ("TSX"). We are a 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 entrées, that are sold to North American food retailers and foodservice distributors. In addition, we are a major supplier of commodity products in the North American market. The retail channel includes grocery and club stores and our products are sold throughout the U.S. and Canada under the ***High Liner***, ***Fisher Boy***, ***Mirabel***, ***Sea Cuisine*** and ***Catch of the Day*** labels. The foodservice channel includes sales of seafood that is usually eaten outside the home and our branded products are sold through distributors to restaurants and institutions under the ***High Liner***, ***Mirabel***, ***Icelandic Seafood***[1] and ***FPI*** labels. The Company is also a major supplier of private-label value-added frozen premium seafood products to North American food retailers and foodservice distributors.

We own and operate three food-processing plants located in Lunenburg, Nova Scotia ("N.S."), Portsmouth, New Hampshire, and Newport News, Virginia.

Although our roots are in the Atlantic Canadian fishery, we purchase all our seafood raw material and some finished goods from around the world. From our headquarters in Lunenburg, N.S., we have transformed our long and proud heritage into global seafood expertise. We deliver on the expectations of consumers by selling seafood products that respond to their demands for sustainable, convenient, tasty and nutritious seafood, at good value.

Additional information relating to High Liner Foods, including our most recent Annual Information Form ("AIF"), is available on SEDAR at www.sedar.com and in the Investor Center section of the Company's website at www.highlinerfoods.com.

OUTLOOK

Demand for the Company's products remains strong, however, like others in the industry, the Company is navigating global supply challenges exacerbated by the invasion of Ukraine, inflationary pressures on raw material and ongoing uncertainty related to the COVID-19 pandemic. High Liner Foods remains focused on working to mitigate ongoing supply challenges, the diversification of species, product and procurement, and strong customer and supplier relationships to support our position.

With a strong balance sheet and cash flow, the Company is well equipped to navigate current market conditions and invest in the business. The Company anticipates capital expenditures of approximately $25.0 million in Fiscal 2022, as we modernize our asset base, explore automation opportunities and maintain and upgrade our facilities.

With the extension of our $150.0 million working capital credit facility until April 2027, the Company does not have any impending debt maturities and we remain confident in our liquidity position. High Liner Foods expects the Net Debt to Rolling Twelve-Month Adjusted EBITDA ratio to be slightly below the Company's long-term target of 3.0x at the end of Fiscal 2022.

[1] *In December 2011, as part of the acquisition of the U.S. subsidiary of Icelandic Group h.f, the Company acquired several brands 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. In April 2018, the Company executed a seven-year brand license agreement for the continued use of the Icelandic Seafood brand in the U.S. and Canada with royalty payments effective January 2019 (1.5% on net sales of products sold under the Icelandic Seafood brand).*

RECENT DEVELOPMENTS

Global Supply Chain and Economic Conditions

Global supply chain continued to be challenged and general economic conditions have been impacted due to the continued COVID-19 pandemic, as well as the geopolitical impact relating to the evolving military conflict in the Ukraine.

Like others in the industry, the Company continued to experience shipping delays and raw material supply issues due to global labour shortages, limited shipping container availability, port congestion and shutdowns and newly implemented sanction policies relating to Russia's invasion of the Ukraine. The Company's foodservice business continues to rebound and demand continues to increase. High Liner Foods is taking all available steps to satisfy customer demand while complying with sanction policies but is constrained by the continuing global supply chain challenges, which once again impacted the Company's sales volumes by approximately 4 million pounds, or 6.8%, in the second quarter. By taking various steps to mitigate these supply challenges, the Company has reduced the impact on its performance and customers.

The Company also experienced inflationary pressure on its input costs, including raw material, ingredients, packaging and transportation costs. The Company continued to take appropriate pricing actions during the quarter to offset the additional costs incurred and to manage this inflationary environment.

See the Risk Factors section beginning on page 23 of this MD&A for further discussion of the impact of the geopolitical environment and COVID-19 on the Company's risk assessment.

U.S. Tariffs

In September 2018, the U.S. Trade Representative ("USTR") commenced trade discussions with China that resulted in various actions impacting the Company related to additional tariffs on goods imported to the U.S. During December 2019, the Company received notice of approval of an exclusion request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China that expired on August 7, 2020, and which was subsequently extended until December 31, 2020. The tariffs were reinstated following the expiry of the exclusion on December 31, 2020 and continued throughout 2021.

During March 2022, the Company received notice of approval of an exclusion extension request submitted to the USTR regarding tariffs on certain goods imported to the U.S. from China. The extension applied to tariffs already incurred, or that would otherwise have been incurred, on specific goods from October 12, 2021 to December 31, 2022.

The estimated annual run-rate exposure of the 25% tariff is approximately $5.5 million based on current volume and raw material costs; however, the Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company and its customers.

The Company will continue to monitor these developments closely, particularly if further information becomes available regarding potential additional tariffs or exclusions, or how the previously announced tariffs and exclusions will impact the Company.

Working Capital Facility Amendment

During the thirteen weeks ended July 2, 2022, the Company amended its working capital facility (refer to Note 5 "Bank loans" to the Consolidated Financial Statements) to extend the term from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans.

Insurance Proceeds

During Fiscal 2020, High Liner Foods filed a lawsuit in California Superior Court against Mr. Brian Wynn relating to misrepresentations the Company alleges Mr. Wynn made during the due diligence process for the acquisition of Rubicon Resources LLC ("Rubicon"). The Company is claiming a number of remedies, including rescission, disgorgement and damages. After filing the claim against Mr. Wynn, High Liner Foods also filed a claim under the Representations and Warranty insurance policy (the "Insurance Policy") that was procured by High Liner Foods to provide coverage for breaches of the representations made by Rubicon and Mr. Wynn when it acquired Rubicon. During Fiscal 2021, the Company filed its arbitration demand and the arbitration is proceeding. The Company cannot predict the outcome of the legal proceedings against Mr. Wynn, nor the amount of likely recovery from Mr. Wynn, however the insurer, under the Insurance Policy, has agreed that there were breaches of the representations made by Mr. Wynn resulting in damages in excess of the policy limit. Accordingly, during the thirteen weeks ended July 2, 2022, the Company received the total available amount under the Insurance Policy of $10.0 million.

PERFORMANCE

This discussion and analysis of the Company's financial results focuses on the performance of the consolidated North American operations, the Company's single operating and reporting segment.

Seasonality

Overall, the first quarter of the year is historically the strongest for both sales and profit, and the second quarter is the weakest. Both our retail and foodservice businesses traditionally experience a strong first quarter due to retailers and restaurants promoting seafood during the Lenten period. As such, the timing of Lent can impact our quarterly results.

A significant percentage of advertising and promotional activity is typically done in the first quarter. Customer-specific promotional expenditures such as trade spending, listing allowances and couponing are deducted from "Sales" and non-customer-specific consumer marketing expenditures are included in selling, general and administrative expenses.

Inventory levels fluctuate throughout the year, most notably increasing to support strong sales periods such as the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

Consolidated Performance

The table below summarizes key consolidated financial information for the relevant periods.

(in $000s, except sales volume, per share amounts, percentage amounts, and exchange rates)	Thirteen weeks ended July 2, 2022	Thirteen weeks ended July 3, 2021	Change	Twenty-six weeks ended July 2, 2022	Twenty-six weeks ended July 3, 2021	Change
Sales volume (millions of lbs)	**58.8**	50.4	**8.4**	**132.1**	120.2	**11.9**
Average foreign exchange rate (USD/CAD)	**$ 1.2775**	$ 1.2276	**$ 0.0499**	**$ 1.2718**	$ 1.2465	**$ 0.0253**
Sales	**$ 253,452**	$ 189,811	**$ 63,641**	**$ 548,187**	$ 433,224	**$ 114,963**
Gross profit	**$ 56,329**	$ 44,361	**$ 11,968**	**$ 118,343**	$ 102,038	**$ 16,305**
Gross profit as a percentage of sales	**22.2%**	23.4%	**(1.2%)**	**21.6%**	23.6%	**(2.0%)**
Distribution expenses	**$ 14,103**	$ 11,657	**$ 2,446**	**$ 31,214**	$ 24,620	**$ 6,594**
Selling, general and administrative expenses	**$ 23,105**	$ 21,452	**$ 1,653**	**$ 45,546**	$ 46,553	**$ (1,007)**
Adjusted EBITDA [(1)]	**$ 25,333**	$ 19,575	**$ 5,758**	**$ 53,673**	$ 47,378	**$ 6,295**
Adjusted EBITDA as a percentage of sales	**10.0%**	10.3%	**(0.3%)**	**9.8%**	10.9%	**(1.1%)**
Net income	**$ 18,977**	$ 8,021	**$ 10,956**	**$ 33,622**	$ 25,849	**$ 7,773**
Basic Earnings per Share ("EPS")	**$ 0.56**	$ 0.23	**$ 0.33**	**$ 0.99**	$ 0.76	**$ 0.23**
Diluted EPS	**$ 0.54**	$ 0.23	**$ 0.31**	**$ 0.95**	$ 0.74	**$ 0.21**
Adjusted Net Income [(1)]	**$ 10,034**	$ 10,378	**$ (344)**	**$ 25,102**	$ 24,438	**$ 664**
Adjusted Basic EPS	**$ 0.30**	$ 0.31	**$ (0.01)**	**$ 0.74**	$ 0.72	**$ 0.02**
Adjusted Diluted EPS [(1)]	**$ 0.29**	$ 0.30	**$ (0.01)**	**$ 0.71**	$ 0.70	**$ 0.01**
Total assets				**$ 857,518**	$ 761,833	**$ 95,685**
Total long-term financial liabilities				**$ 254,430**	$ 269,876	**$ (15,446)**
Dividends paid per common share (in CAD)	**$ 0.10**	$ 0.07	**$ 0.03**	**$ 0.20**	$ 0.14	**$ 0.06**

[(1)] See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.

COVID-19 Pandemic

The performance of the Company's consolidated North American operations, as discussed in the following sections, has been significantly impacted by COVID-19, and may continue to be impacted in future periods. See the *Recent Developments* section under *Global Supply Chain and Economic Conditions* on page 4 of this MD&A for further information regarding the current and anticipated impacts of the COVID-19 pandemic and the Company's response.

Sales

Thirteen weeks

Sales volume for the thirteen weeks ended July 2, 2022, or the second quarter of 2022, increased by 8.4 million pounds, or 16.7%, to 58.8 million pounds compared to 50.4 million pounds in the thirteen weeks ended July 3, 2021, or the second quarter of 2021. In our foodservice business, sales volume was higher due to the significantly reduced COVID-19 restrictions on the Company's foodservice customers in 2022 as compared to 2021, leading to increased demand. The increase in sales volume was also due to growth in our retail business due to marketing efforts and increased sales in newer product lines and new business in both foodservice and retail. This was partially offset by the impact of global supply chain challenges on raw material supply to North America, that impacted the Company's sales volumes by an estimated 4.0 million pounds or 6.8% in the second quarter.

Sales in the second quarter of 2022 increased by $63.7 million, or 33.6%, to $253.5 million compared to $189.8 million in the same period last year, reflecting higher sales volumes mentioned above as well as pricing actions related to inflationary increases in input costs. In addition, the weaker Canadian dollar in the second quarter of 2022 compared to the same quarter of 2021 decreased the value of USD sales from our CAD-denominated operations by approximately $2.6 million relative to the conversion impact last year.

Twenty-six weeks

Sales volume in the first half of 2022 increased by 11.9 million pounds, or 9.9%, to 132.1 million pounds compared to 120.2 million pounds in the same period in the prior year. In our foodservice business, sales volume was higher due to the impact of fewer COVID-19 restrictions on the Company's foodservice customers in 2022 as compared to 2021. In addition, sales volume also increased due to growth in our retail business and increased sales in newer product lines and new business in both foodservice and retail. As noted above, this was partially offset by the impact of global supply chain challenges on raw material supply to North America

Sales in the first half of 2022 increased by $115.0 million, or 26.5%, to $548.2 million compared to $433.2 million in the same period in the prior year. The increase in sales reflects the higher sales volumes mentioned above, favorable changes in sales mix and pricing actions implemented to mitigate inflationary increases on input costs. In addition, the weaker Canadian dollar in the first half of 2022 compared to the first half of 2021 decreased the value of reported USD sales from our CAD-denominated operations by approximately $2.6 million relative to the conversion impact last year.

Gross Profit

Thirteen weeks

Gross profit increased in the second quarter of 2022 by $11.9 million, or 26.8%, to $56.3 million compared to $44.4 million in the same period in 2021, while gross profit as a percentage of sales decreased to 22.2% compared to 23.4%. The increase in gross profit reflects the higher sales volume and pricing actions as discussed previously, despite inflationary increases in input costs, offset by a change in product mix.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2022 by approximately $0.6 million relative to the conversion impact last year.

Twenty-six weeks

Gross profit increased in the first half of 2022 by $16.3 million, or 16.0%, to $118.3 million compared to $102.0 million in the same period in the prior year, while gross profit as a percentage of sales decreased to 21.6% compared to 23.6%. The increase in gross profit reflects the higher sales volume and pricing actions discussed previously, despite inflationary increases in input costs, offset by a change in product mix.

In addition, the weaker Canadian dollar decreased the value of reported USD gross profit from our Canadian operations in 2022 by approximately $0.6 million relative to the conversion impact last year.

Distribution Expenses

Thirteen weeks

Distribution expenses, consisting of freight and storage, increased in the second quarter of 2022 by $2.4 million to $14.1 million compared to $11.7 million in the same period in 2021, as a result of the higher sales volume mentioned previously, as well as increased freight costs related to global supply challenges as discussed in the *Recent Developments* section on page 4 of this MD&A. As a percentage of sales, distribution expenses decreased favorably to 5.6% in the second quarter of 2022 compared to 6.1% in the same period in 2021.

Twenty-six weeks

Distribution expenses, consisting of freight and storage, increased in the first half of 2022 by $6.6 million to $31.2 million compared to $24.6 million in the same period in the prior year, reflecting the higher sales volume mentioned previously, increased freight costs related to global supply chain challenges as discussed in the *Recent Developments* section on page 4 of this MD&A, and increased storage costs. As a percentage of sales, distribution expenses remained consistent at 5.7% in the first half of 2022 compared to in the same period in 2021.

Selling, General and Administrative ("SG&A") Expenses

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**July 2, 2022**	**July 3, 2021**	**July 2, 2022**	**July 3, 2021**
SG&A expenses, as reported	**$ 23,105**	$ 21,452	**$ 45,546**	$ 46,553
Less:				
Share-based compensation expense (1)	**541**	2,474	**700**	4,979
Depreciation and amortization expense (1)	**2,519**	2,602	**5,052**	5,188
SG&A expenses, net	**$ 20,045**	$ 16,376	**$ 39,794**	$ 36,386
SG&A expenses, net as a percentage of sales	**7.9%**	8.6 %	**7.3%**	8.4%

(1) Represents share-based compensation expense and depreciation and amortization expense that is allocated to SG&A only. The remaining expense is allocated to cost of sales and distribution expenses.

SG&A Expenses

Thirteen weeks

SG&A expenses increased in the second quarter of 2022 by $1.6 million to $23.1 million compared to $21.5 million in the same period last year. SG&A expenses included share-based compensation expense of $0.5 million in the second quarter of 2022 compared to $2.5 million for the same period in 2021, primarily due to a lower expected performance multiplier for performance-based awards and a minor improvement in share price performance during the current year as compared to the same period in the prior year. This was slightly offset by higher units outstanding in the current year as compared to the same period in the prior year. SG&A expenses also included depreciation and amortization expense of $2.5 million in the second quarter of 2022 and $2.6 million in the same period of 2021.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the second quarter of 2022 by $3.6 million to $20.0 million compared to $16.4 million in the same period last year, primarily due to higher consulting fees, administrative expenses and variable selling costs, as well as higher consumer marketing expenses related to supporting our brands in both the U.S and Canada retail businesses as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased favorably to 7.9% in the second quarter of 2022 compared to 8.6% in the same period last year.

Twenty-six weeks

SG&A expenses decreased by $1.1 million to $45.5 million in the first half of 2022 as compared to $46.6 million in the same period in the prior year. SG&A expenses included share-based compensation expense of $0.7 million in the first half of 2022 compared to $5.0 million in the same period in the prior year, primarily due to a lower expected performance multiplier for performance-based awards and a decrease in share price performance in the first quarter of 2022 compared to the same period in 2021. This was slightly offset by higher units outstanding in the current year as compared to the same period in the prior year. SG&A expenses also included depreciation and amortization expense of $5.1 million in the first half of 2022 compared to $5.2 million in the same period in the prior year.

Excluding share-based compensation and depreciation and amortization expenses, SG&A expenses increased in the first half of 2022 by $3.4 million to $39.8 million compared to $36.4 million in 2021, due to higher consulting fees, administrative expenses and variable selling costs as compared to the same period in the prior year. As a percentage of sales, SG&A excluding share-based compensation and depreciation and amortization expense decreased favorably to 7.3% in the first half of 2022 compared to 8.4% in 2021.

Adjusted EBITDA

We refer to Adjusted EBITDA throughout this MD&A in discussing our results for the thirteen and twenty-six weeks ended July 2, 2022. See the *Non-IFRS Financial Measures* section on page 17 for further explanation of this non-IFRS measure.

Thirteen weeks

Adjusted EBITDA increased in the second quarter of 2022 by $5.7 million, or 29.1%, to $25.3 million compared to $19.6 million in the same period in the prior year, while as a percentage of sales, Adjusted EBITDA decreased to 10.0% compared to 10.3%. The increase in Adjusted EBITDA reflects the increase in gross profit, partially offset by the increase in net SG&A expenses and in distribution expenses, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2022 by approximately $0.2 million relative to the conversion impact last year.

Twenty-six weeks

Adjusted EBITDA increased in the first half of 2022 by $6.3 million, or 13.3%, to $53.7 million compared to $47.4 million in the same period in the prior year, while as a percentage of sales, Adjusted EBITDA decreased to 9.8% compared to 10.9%. The increase in Adjusted EBITDA is a result of the increase in gross profit partially offset by the increase in net SG&A expenses and in distribution expenses, all discussed previously.

In addition, the weaker Canadian dollar decreased the value of reported Adjusted EBITDA in USD from our Canadian operations in 2022 by approximately $0.2 million relative to the conversion impact last year.

Net Income

We refer to Adjusted Net Income and Adjusted Diluted EPS throughout this MD&A. See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of these non-IFRS measures.

Thirteen weeks

Net income increased in the second quarter of 2022 by $11.0 million, or 137.5%, to net income of $19.0 million ($0.54 per diluted share) compared to net income of $8.0 million ($0.23 per diluted share) in the same period in the prior year. The increase in net income was due to the $10.0 million insurance proceeds received during the second quarter of 2022, as discussed in the *Recent Developments* section on page 4 of this MD&A, as well as an increase in Adjusted EBITDA and a decrease in share-based compensation expense discussed previously. The increase in net income was partially offset by an increase in income tax expense as discussed in the *Income Taxes* section on page 12 on this MD&A.

In the second quarter of 2022 and 2021, net income included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 11 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items or other non-cash expenses, share-based compensation, and the insurance proceeds discussed previously, Adjusted Net Income in the second quarter of 2022 decreased by $0.4 million or 3.8% to $10.0 million compared to $10.4 million in the same period in the prior year.

Correspondingly, Adjusted Diluted EPS decreased by $0.01 to $0.29 compared to $0.30 in the same period in the prior year.

Twenty-six weeks

Net income increased in the first half of 2022 by $7.8 million, or 30.2%, to $33.6 million ($0.95 per diluted share) compared to $25.8 million ($0.74 per diluted share) in the same period in the prior year. The increase in net income reflects the insurance proceeds received during the second quarter of 2022, as well as an increase in Adjusted EBITDA and a decrease in share-based compensation expense, all discussed previously. The increase in net income was partially offset by an increase in finance costs primarily due to a $7.8 million gain on modification of debt related to the debt refinancing completed in March 2021 that did not repeat in the current year as well as higher income tax expense, discussed previously.

In the first half of 2022 and the same period in the prior year, net income included "business acquisition, integration and other (income) expense" (as explained in the *Business Acquisition, Integration and Other (Income) Expense* section on page 11 of this MD&A) related to certain non-routine expenses. Excluding the impact of these non-routine items, other non-cash expenses, share-based compensation, insurance proceeds, and the gain on modification of debt in 2021, Adjusted Net Income in the first half of 2022 increased by $0.7 million, or 2.9%, to $25.1 million compared to $24.4 million in the same period in the prior year.

Adjusted Diluted EPS increased $0.01 in the first half of 2022 to $0.71 compared to $0.70 in the same period in the prior year.

RESULTS BY QUARTER

The following table provides summarized financial information for the last nine quarters:

(Amounts in $000s, except per share amounts)	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Sales	**$253,452**	$294,735	$227,879	$214,302	$189,811	$243,413	$198,415	$194,621	$165,829
Adjusted EBITDA (1)	**$ 25,333**	$ 28,340	$ 20,600	$ 22,444	$ 19,575	$ 27,803	$ 21,185	$ 19,068	$ 17,087
Net Income	**$ 18,977**	$ 14,645	$ 7,223	$ 9,177	$ 8,021	$ 17,828	$ 7,372	$ 3,821	$ 3,382
Adjusted Net Income (1)	**$ 10,034**	$ 15,068	$ 9,079	$ 11,281	$ 10,378	$ 14,060	$ 10,315	$ 5,948	$ 4,660
EPS, based on Net Income									
Basic	**$ 0.56**	$ 0.43	$ 0.22	$ 0.27	$ 0.23	$ 0.53	$ 0.22	$ 0.11	$ 0.10
Diluted	**$ 0.54**	$ 0.41	$ 0.20	$ 0.26	$ 0.23	$ 0.51	$ 0.21	$ 0.11	$ 0.10
EPS, based on Adjusted Net Income (1)									
Basic	**$ 0.30**	$ 0.44	$ 0.27	$ 0.33	$ 0.31	$ 0.41	$ 0.30	$ 0.18	$ 0.14
Diluted (1)	**$ 0.29**	$ 0.43	$ 0.26	$ 0.32	$ 0.30	$ 0.40	$ 0.29	$ 0.18	$ 0.14
Dividends paid per common share (CAD)	**$ 0.10**	$ 0.10	$ 0.10	$ 0.07	$ 0.07	$ 0.07	$ 0.07	$ 0.05	$ 0.05
Net non-cash working capital (2)	**$287,974**	$272,482	$232,832	$207,582	$194,410	$188,063	$193,960	$199,569	$234,348

(1) See the *Non-IFRS Financial Measures* section starting on page 17 for further explanation of Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS.
(2) Net non-cash working capital is comprised of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions.

BUSINESS ACQUISITION, INTEGRATION AND OTHER (INCOME) EXPENSE

The Company reports expenses associated with business acquisition and integration activities, and certain other non-routine costs separately in its consolidated statements of income as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Business acquisition, integration and other (income) expense	**$ (9,034)**	$ 760	**$ (8,766)**	$ 1,140

Business acquisition, integration and other (income) expense for the twenty-six weeks ended July 2, 2022 and July 3, 2021 also included certain non-routine expenses, consulting fees, and insurance proceeds, as discussed in the *Recent Developments* section on page 4 of this MD&A, that are not representative of the Company's ongoing operational activities.

FINANCE COSTS

The following table shows the various components of the Company's finance costs:

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	July 2, 2022	July 3, 2021	July 2, 2022	July 3, 2021
Interest paid in cash during the period	**$ 3,007**	$ 3,646	**$ 6,410**	$ 8,250
Change in cash interest accrued during the period	**382**	(522)	**290**	(1,091)
Total interest to be paid in cash	**3,389**	3,124	**6,700**	7,159
Modification gain related to debt refinancing activities[(1)]	**—**	—	**—**	(7,901)
Interest expense on lease liabilities	**118**	249	**287**	251
Deferred financing cost & net modification loss amortization	**301**	335	**613**	664
Total finance costs	**$ 3,808**	$ 3,708	**$ 7,600**	$ 173

[(1)]The twenty-six weeks ended July 3, 2021 includes a gain on the modification of debt related to the debt refinancing completed in March 2021.

Finance costs were $0.1 million higher in the second quarter of 2022 and $7.4 million higher in the twenty-six weeks ended July 2, 2022 compared to the same periods last year. The increase during the twenty-six weeks ended July 2, 2022 was due to the gain on the modification of debt related to the debt refinancing completed in March 2021 that did not repeat in the current year (see the *Recent Developments* section on page 4 of this MD&A), and increased interest expense on short-term borrowings due to higher balances outstanding and interest rates.

INCOME TAXES

The Company's statutory tax rate for the thirteen and twenty-six weeks ended July 2, 2022 was 27.9% (thirteen and twenty-six weeks ended July 3, 2021: 27.8%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended July 2, 2022 was an expense of 21.9% and 21.3%, respectively (thirteen and twenty-six weeks ended July 3, 2021: a recovery of 18.2% and an expense of 12.5%, respectively). The higher effective tax rate for the twenty-six weeks ended July 2, 2022, was primarily attributable to the recognition of previously unrecorded tax assets during the twenty-six weeks ended July 3, 2021, as well as a reduction in statutory rate that did not repeat in the current year, partially offset by the Company's tax efficient financing structure.

CONTINGENCIES

The Company has no material outstanding contingencies.

LIQUIDITY AND CAPITAL RESOURCES

The Company's balance sheet is affected by foreign currency fluctuations, the effect of which is discussed in the *Introduction* section on page 1 of this MD&A (under the heading *"Currency"*) and in the Foreign Currency risk discussion on page 25 (in the *Risk Factors* section).

Our capital management practices are described in Note 26 *"Capital management"* in the 2021 annual consolidated financial statements.

Working Capital Credit Facility

The Company entered into an amended $150.0 million asset-based working capital credit facility (the "Facility") in October 2019 with the Royal Bank of Canada as Administrative and Collateral agent. On April 28, 2022, the Company amended its working capital facility to extend the term from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans.

The rates provided by the working capital credit facility after the April 28, 2022 amendment are noted in the following table, based on the "Average Adjusted Aggregate Availability" as defined in the credit agreement. The Company's borrowing rates as of July 2, 2022 are also noted in the following table.

Per Credit Agreement		As at July 2, 2022
Canadian Prime Rate revolving loans, Canadian Prime Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%	plus 0.00%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%	plus 1.25%
SOFR revolving loans at, Adjusted Term SOFR rates	plus 1.25% to 1.50%	plus 1.25%
Letters of credit, with fees of	1.25% to 1.50%	1.25%
Standby fees, required to be paid on the unutilized facility, of	0.25%	0.25%

Average short-term borrowings outstanding during the first half of 2022 were $31.8 million compared to $nil in the same period in the prior year. The $31.8 million increase in average short-term borrowings primarily reflects higher working capital requirements during the first half of 2022 as compared to the same period in the prior year, partially driven by the impact of inflation on raw material.

At the end of the second quarter of 2022, the Company had $93.9 million (July 3, 2021: $131.3 million) of unused borrowing availability, taking into account both current borrowing base and letters of credit, which reduce the availability under the working capital credit facility. On July 2, 2022, letters of credit and standby letters of credit were outstanding in the amount of $23.9 million (July 3, 2021: $13.1 million) to support raw material purchases and to secure certain contractual obligations, including those related to the Company's Supplemental Executive Retirement Plan ("SERP").

The facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility. A second charge over the Company's property, plant and equipment is also in place. Additional details regarding the Company's working capital credit facility are provided in Note 5 *"Bank loans"* to the Consolidated Financial Statements.

Due to increased working capital requirements, we expect average short-term borrowings in 2022 to be higher than 2021. We believe the asset-based working capital credit facility should be sufficient to fund all of the Company's anticipated cash requirements.

Term Loan Facility

As at July 2, 2022, the Company had a $300.0 million term loan facility with an interest rate of LIBOR plus 3.75% (LIBOR floor of 0.75%), maturing in October 2026.

Quarterly repayments of $1.9 million are required on the term loan as regularly scheduled repayments. On an annual basis, based on a leverage test, additional prepayments could be required of up to 50% of the previous year's defined excess cash flow ("mandatory prepayments"). Per the loan agreement, mandatory prepayments and voluntary repayments will be applied to future regularly scheduled principal repayments. During the twenty-six weeks ended July 2, 2022, a regularly scheduled repayment of $1.9 million was made. A voluntary repayment of $7.5 million was made during the fifty-two weeks ended January 1, 2022 that was applied against scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months.

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

During the twenty-six weeks ended July 2, 2022, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility:

Effective date	Maturity date	Receive floating rate	Pay fixed rate		Notional amount (millions)
Designated in a formal hedging relationship:					
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250%	$	25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700%	$	25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385%	$	35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610%	$	20.0

As of July 2, 2022, the combined impact of the outstanding interest rate swaps listed above effectively fix the interest rate on $105.0 million of the $300.0 million face value of the term loan and the remaining portion of the debt continues to be at variable interest rates. As such, we expect that there will be fluctuations in interest expense due to changes in interest rates when LIBOR is higher than the embedded floor of 0.75%.

Additional details regarding the Company's term loan are provided in Note 6 *"Long-term debt"* to the Consolidated Financial Statements.

Net Debt

The Company's Net Debt (as calculated in the *Non-IFRS Financial Measures* section on page 22 of this MD&A) is comprised of the working capital credit and term loan facilities (excluding deferred finance costs and modification gains / losses) and lease liabilities, less cash. Net Debt increased by $46.0 million to $294.2 million at July 2, 2022 compared to $248.2 million at July 3, 2021, reflecting higher bank loans and lower cash balances as at July 2, 2022 as compared to July 3, 2021, partially offset by lower long-term debt and lower lease liabilities at the end of the first half of 2022 as compared to the first half of 2021.

Net Debt to Rolling Twelve-Month Adjusted EBITDA (see the *Non-IFRS Financial Measures* section on page 17 of this MD&A) was 3.0x at July 2, 2022 compared to 3.2x at April 2, 2022, despite the investment in seasonal working capital and inflation in raw materials. In the absence of any major acquisitions or unplanned capital expenditures in 2022, we expect this ratio to be slightly below the Company's long-term target of 3.0x at the end of Fiscal 2022.

		Twelve months ended		
(Amounts in $000s, except as otherwise noted)		**July 2, 2022**		**January 1, 2022**
Net Debt	**$**	**294,206**	$	271,041
Adjusted EBITDA	**$**	**96,717**	$	90,422
Net Debt to Adjusted EBITDA ratio (times)		**3.0x**		3.0x

Capital Structure

At July 2, 2022, Net Debt was 45.0% of total capitalization compared to 43.5% at July 3, 2021.

(Amounts in $000s)		July 2, 2022		January 1, 2022		July 3, 2021
Net Debt	**$**	**294,206**	$	271,041	$	248,161
Shareholders' equity		**364,613**		332,524		321,577
Unrealized (gains) losses on derivative financial instruments included in AOCI		**(4,471)**		(1,148)		262
Total capitalization	**$**	**654,348**	$	602,417	$	570,000
Net Debt as percentage of total capitalization		**45.0%**		45.0%		43.5%

Using our July 2, 2022 market capitalization of $301.8 million, based on a share price of CAD$11.73 (USD$9.08 equivalent), instead of the book value of equity, Net Debt as a percentage of total capitalization increases to 49.4%.

Cash Flow

	Thirteen weeks ended					Twenty-six weeks ended				
(Amounts in $000s)		July 2, 2022		July 3, 2021	Change		July 2, 2022		July 3, 2021	Change
Net cash flows provided by operating activities	**$**	**9,335**	$	5,939	$ 3,396	**$**	**(10,394)**	$	32,491	$(42,885)
Net cash flows used in financing activities		**(4,845)**		(11,032)	6,187		**15,837**		(37,204)	53,041
Net cash flows used in investing activities		**(3,257)**		(7,166)	3,909		**(5,094)**		(8,766)	3,672
Foreign exchange (decrease) increase on cash		**(1,115)**		335	(1,450)		**(506)**		1,801	(2,307)
Net change in cash during the period	**$**	**118**	$	(11,924)	$12,042	**$**	**(157)**	$	(11,678)	$ 11,521

Cash Flows from Operating Activities

Cash flows from operating activities were $42.9 million lower in the first half of 2022 compared to the same period in the prior year. This decrease in cash flows in the first half of 2022 was due to unfavorable changes in non-cash working capital balances including an increase in accounts receivable, prepaid expenses, inventories, and accounts payable and accrued liabilities, partially offset by an increase in provisions. The lower cash flows related to non-cash working capital balances were partially offset by lower income taxes paid and lower interest paid.

Cash Flows from Financing Activities

Cash flows from financing activities were $53.0 million higher in the first half of 2022 compared to the same period in the prior year. The increase in cash flows in the first half of 2022 was due to the higher short-term borrowings in the first half of 2022 as discussed previously (see the *Liquidity and Capital Resources* on page 12 of this MD&A), as well as lower repayments of long-term debt in the first half of 2022 compared to the repayments made in the same period in 2021.

Cash Flows from Investing Activities

Cash outflows from investing activities were $3.7 million lower in the first half of 2022 compared to the same period last year due to lower capital expenditures (see the *Capital Expenditures* section beginning on page 16 of this MD&A).

Standardized Free Cash Flow

Standardized Free Cash Flow (see the *Non-IFRS Financial Measures* section on page 21 for further explanation of Standardized Free Cash Flow) for the twelve months ended July 2, 2022 decreased by $117.3 million to an outflow of $30.8 million compared to an inflow of $86.5 million for the twelve months ended July 3, 2021. This decrease reflects unfavorable changes in non-cash working capital and increased capital expenditures incurred during the last twelve months, offset by higher cash flows provided by operations and lower income taxes and interest paid during the twelve months ended July 2, 2022 as compared to the twelve months ended July 3, 2021.

Net Non-Cash Working Capital

(Amounts in $000s)		July 2, 2022		January 1, 2022		Change
Accounts receivable	**$**	**88,015**	$	87,122	**$**	**893**
Inventories		**330,838**		308,183		**22,655**
Prepaid expenses		**16,957**		3,419		**13,538**
Accounts payable and accrued liabilities		**(146,792)**		(165,720)		**18,928**
Provisions		**(1,044)**		(172)		**(872)**
Net non-cash working capital	**$**	**287,974**	$	232,832	**$**	**55,142**

Net non-cash working capital consists of accounts receivable, inventories and prepaid expenses, less accounts payable and accrued liabilities, and provisions. Net non-cash working capital increased by $55.2 million to $288.0 million at July 2, 2022 as compared to $232.8 million at January 1, 2022, primarily reflecting higher inventories and prepaid expenses relating to prepaid inventory and lower accounts payable and accrued liabilities.

Our working capital requirements fluctuate during the year, usually peaking between December and March as our inventory is the highest at that time, as described in the *"Seasonality"* section on page 5 of this MD&A. Due to the ongoing global supply chain issues, the Company has been proactive in securing supply in the first half of 2022 as reflected in the increase in prepaid expenses which include prepaid inventory. Even with this shift in cash flow relating to inventory supply, we believe we have enough availability on our working capital credit facility to finance our working capital requirements throughout the remainder of 2022.

Capital Expenditures

Gross capital expenditures (including computer software) were $3.3 million and $5.1 million during the thirteen and twenty-six weeks ended July 2, 2022, respectively, as compared to capital expenditures of $7.2 million and $8.8 million during the thirteen and twenty-six weeks ended July 3, 2021, respectively.

Excluding strategic initiatives that may arise, management expects that capital expenditures in 2022 will be approximately $25.0 million and funded by cash generated from operations and short-term borrowings.

Dividends

The Company paid a CAD$0.10 per share quarterly dividend on June 15, 2022 to common shareholders of record on June 1, 2022.

On August 10, 2022, the Company's Board of Directors approved a quarterly dividend of CAD$0.10 per share on the Company's common shares, payable on September 15, 2022 to holders of record on September 1, 2022. These dividends are considered "eligible dividends" for Canadian income tax purposes.

Dividends and Normal Course Issuer Bids ("NCIB"), if applicable, are subject to the following restrictions in our credit agreements:

- Under the working capital credit facility, Average Adjusted Aggregate Availability, as defined in the credit agreement, needs to be $18.8 million or higher and was $143.3 million on July 2, 2022, and NCIBs are subject to an annual limit of $10.0 million with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum; and
- Under the term loan facility, dividends cannot exceed $17.5 million per year. This amount increases to the greater of $25.0 million per year or 32.5% of EBITDA as defined in the loan agreement when the defined total leverage ratio is below 4.0x. The defined total leverage ratio was 3.0x on July 2, 2022. NCIBs are

subject to an annual limit of $10.0 million under the term loan facility with a provision to carry forward unused amounts subject to a maximum of $20.0 million per annum.

Contractual Obligations

Contractual obligations relating to our bank loans, long-term debt, lease liabilities, and purchase obligations as at July 2, 2022 were as follows:

		Payments Due by Period		
(Amounts in $000s)	**Total**	**Less than 1 year**	**1–5 Years**	**Thereafter**
Bank loans	**$ 31,075**	$ 31,075	$ —	$ —
Long-term debt	**327,072**	27,432	299,640	—
Lease liabilities	**10,084**	5,121	4,963	—
Purchase obligations	**262,667**	240,156	22,510	—
Total contractual obligations	**$ 630,898**	$ 303,784	$ 327,113	$ —

Purchase obligations are for the purchase of seafood and other non-seafood inputs, including flour, paper products and frying oils. See the *Procurement* risk section in the 2021 Annual Report and the *Foreign Currency* section on page 25 of this MD&A for further details.

Financial Instruments and Risk Management

The Company has exposure to the following risks as a result of its use of financial instruments: foreign currency risk, interest rate risk, credit risk and liquidity risk. The Company enters into interest rate swaps, foreign currency contracts, and insurance contracts to manage these risks that arise from the Company's operations and its sources of financing, in accordance with a written policy that is reviewed and approved by the Audit Committee of the Board of Directors. The policy prohibits the use of derivative financial instruments for trading or speculative purposes.

Readers are directed to Note 12 *"Fair value measurement"* of the Consolidated Financial Statements for a complete description of the Company's use of derivative financial instruments and their impact on the financial results, and to Note 27 *"Financial risk management objectives and policies"* of the 2021 annual consolidated financial statements for further discussion of the Company's financial risks and policies.

Disclosure of Outstanding Share Data

On August 10, 2022, 33,177,146 common shares and 1,536,320 options were outstanding. The options are exercisable on a one-for-one basis for common shares of the Company.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021.

Refer to Note 23 *"Related party disclosures"* to the 2021 annual consolidated financial statements for a further description of the Company's related party transactions, which are substantially unchanged in 2022.

NON-IFRS FINANCIAL MEASURES

The Company uses the following non-IFRS financial measures and ratios (together, "measures") in this MD&A: Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA"); Adjusted EBITDA as a Percentage of Sales; Adjusted Net Income; Adjusted Diluted Earnings per Share ("Adjusted Diluted EPS"); Standardized Free Cash Flow; Net Debt; and Net Debt to Rolling Twelve-Month Adjusted EBITDA. The Company believes these non-IFRS financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company for the reasons outlined below. These measures do not have any standardized meaning as prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS.

Adjusted EBITDA and Adjusted EBITDA as Percentage of Sales

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization adjusted for items that are not considered representative of ongoing operational activities of the business. The related margin, Adjusted EBITDA as a Percentage of Sales, is defined as Adjusted EBITDA divided by net sales, where net sales is defined as "Sales" on the consolidated statements of income.

We use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) as a performance measure as it approximates cash generated from operations before capital expenditures and changes in working capital, and it excludes the impact of expenses and recoveries associated with certain non-routine items that are not considered representative of the ongoing operational activities, as discussed above, and share-based compensation expense related to the Company's share price. For the thirteen and twenty-six weeks ended July 2, 2022, Adjusted EBITDA also excludes the $10.0 million in insurance proceeds as described previously in the *Recent Developments* section on page 4 of this MD&A. We believe investors and analysts also use Adjusted EBITDA (and Adjusted EBITDA as a percentage of sales) to evaluate the performance of our business. The most directly comparable IFRS measure to Adjusted EBITDA is "Net income" on the consolidated statements of income. Adjusted EBITDA is also useful when comparing to other companies, as it eliminates the differences in earnings that are due to how a company is financed. Also, for the purpose of certain covenants on our credit facilities, "EBITDA" is based on Adjusted EBITDA, with further adjustments as defined in the Company's credit agreements.

The following table reconciles Adjusted EBITDA with measures that are found in our Consolidated Financial Statements, and calculates Adjusted EBITDA as a Percentage of Sales.

				Thirteen weeks ended
(Amounts in $000s)		**July 2, 2022**		**July 3, 2021**
Net income	**$**	**18,977**	$	8,021
Add back (deduct):				
Depreciation and amortization expense		**5,692**		5,766
Finance costs		**3,808**		3,708
Income tax expense (recovery)		**5,319**		(1,237)
Standardized EBITDA		**33,796**		16,258
Add back (deduct):				
Business acquisition, integration and other (income) expenses(1)		**(9,034)**		760
Impairment of property, plant and equipment		**51**		—
(Gain) loss on disposal of assets		**(27)**		76
Share-based compensation expense		**547**		2,481
Adjusted EBITDA	**$**	**25,333**	$	19,575
Net Sales	**$**	**253,452**	$	189,811
Adjusted EBITDA as Percentage of Sales		**10.0%**		**10.3%**

(1) The business acquisition, integration and other (income) expenses for the thirteen and twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted EBITDA.

		Twenty-six weeks ended		
(Amounts in $000s)		**July 2, 2022**		**July 3, 2021**
Net income	**$**	**33,622**	$	25,849
Add back (deduct):				
Depreciation and amortization expense		**11,363**		11,484
Finance costs		**7,600**		173
Income tax expense		**9,076**		3,703
Standardized EBITDA		**61,661**		41,209
Add back (deduct):				
Business acquisition, integration and other (income) expenses[(1)]		**(8,766)**		1,106
Impairment of property, plant and equipment		**51**		—
Loss on disposal of assets		**14**		70
Share-based compensation expense		**713**		4,993
Adjusted EBITDA	**$**	**53,673**	$	47,378
Net Sales	**$**	**548,187**	$	433,224
Adjusted EBITDA as a Percentage of Sales		**9.8%**		**10.9%**

[(1)] The business acquisition, integration and other (income) expenses for the thirteen and twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted EBITDA.

Rolling Twelve-Month Adjusted EBITDA

		Rolling twelve months ended				
(Amounts in $000s)		**July 2, 2022**		**January 1, 2022**		**July 3, 2021**
Net income	**$**	**50,022**	$	42,249	$	37,042
Add back (deduct):						
Depreciation and amortization expense		**22,960**		23,081		23,164
Finance costs		**14,921**		7,494		9,268
Income tax expense		**12,206**		6,833		5,049
Standardized EBITDA		**100,109**		79,657		74,523
Add back (deduct):						
Business acquisition, integration and other (income) expenses[(1)]		**(7,022)**		2,850		2,636
Impairment of property, plant and equipment		**93**		42		—
Loss on disposal of assets		**66**		122		145
Share-based compensation expense		**3,471**		7,751		10,327
Rolling Twelve-Month Adjusted EBITDA	**$**	**96,717**	**$**	**90,422**	**$**	**87,631**

[(1)] The business acquisition, integration and other (income) expenses for the thirteen and twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted EBITDA.

Adjusted Net Income and Adjusted Diluted EPS

Adjusted Net Income is net income adjusted for the after-tax impact of items which are not representative of ongoing operational activities of the business and certain non-cash expenses or income. Adjusted Diluted EPS is Adjusted Net Income divided by the average diluted number of shares outstanding.

We use Adjusted Net Income and Adjusted Diluted EPS to assess the performance of our business without the effects of the above-mentioned items, and we believe our investors and analysts also use these measures. We exclude these items because they affect the comparability of our financial results and could potentially distort the analysis of trends in business performance. For the thirteen and twenty-six weeks ended July 2, 2022, Adjusted Net Income also excludes the $10.0 million in insurance proceeds as described previously in the *Recent Developments* section on page 4 of this MD&A. The most comparable IFRS financial measures are net income and EPS.

The table below reconciles our Adjusted Net Income with measures that are found in our Consolidated Financial Statements and calculates Adjusted Diluted EPS.

	Thirteen weeks ended July 2, 2022		Thirteen weeks ended July 3, 2021	
	$000s	**Adjusted Diluted EPS**	**$000s**	**Adjusted Diluted EPS**
Net income	**$ 18,977**	**$ 0.54**	$ 8,021	$ 0.23
Add back (deduct):				
Business acquisition, integration and other (income) expenses [(1)]	**(9,034)**	**(0.26)**	760	0.02
Impairment of property, plant and equipment	**51**	**—**	—	—
Share-based compensation expense	**547**	**0.03**	2,481	0.07
Tax impact of reconciling items	**(507)**	**(0.01)**	(884)	(0.02)
Adjusted Net Income	**$ 10,034**	**$ 0.29**	$ 10,378	$ 0.30
Average shares for the period (000s)		**35,048**		35,141

	Twenty-six weeks ended July 2, 2022		Twenty-six weeks ended July 3, 2021	
	$000s	**Adjusted Diluted EPS**	**$000s**	**Adjusted Diluted EPS**
Net income	**$ 33,622**	**$ 0.95**	$ 25,849	$ 0.74
Add back (deduct):				
Business acquisition, integration and other (income) expenses [(1)]	**(8,766)**	**(0.25)**	1,106	0.03
Gain on modification of debt [(2)]	**—**	**—**	(7,901)	(0.22)
Impairment of property, plant and equipment	**51**	**—**	—	—
Share-based compensation expense	**713**	**0.03**	4,993	0.14
Tax impact of reconciling items	**(518)**	**(0.01)**	391	0.01
Adjusted Net Income	**$ 25,102**	**$ 0.71**	$ 24,438	$ 0.70
Average shares for the period (000s)		**35,212**		35,162

[(1)] The business acquisition, integration and other (income) expenses for the thirteen and twenty-six weeks ended July 2, 2022, includes insurance proceeds of $10.0 million described previously in the *Recent Developments* section on page 4 of this MD&A which is excluded in Adjusted Net Income.

[(2)] The thirteen and twenty-six weeks ended July 3, 2021 includes a $7.8 million gain on the modification of debt related to the debt refinancing completed in March 2021.

Standardized Free Cash Flow

Standardized Free Cash Flow is cash flow provided by operating activities less capital expenditures (net of investment tax credits) as reported in the consolidated statements of cash flows. The capital expenditures related to business acquisitions are not deducted from Standardized Free Cash Flow.

We believe Standardized Free Cash Flow is an important indicator of financial strength and performance of our business because it shows how much cash is available to pay dividends, repay debt (including lease liabilities) and reinvest in the Company. We believe investors and analysts use Standardized Free Cash Flow to value our business and its underlying assets. The most comparable IFRS financial measure is "cash flows provided by operating activities" in the consolidated statements of cash flows.

The table below reconciles our Standardized Free Cash Flow calculated on a rolling twelve-month basis, with measures that are in accordance with IFRS and as reported in the consolidated statements of cash flows.

	Twelve months ended		
(Amounts in $000s)	**July 2, 2022**	**July 3, 2021**	**Change**
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid	**$ 103,960**	$ 86,986	**$ 16,974**
Net change in non-cash working capital balances	**(100,943)**	43,083	**(144,026)**
Interest paid	**(12,481)**	(17,564)	**5,083**
Income taxes paid	**(4,736)**	(11,368)	**6,632**
Cash flows provided by operating activities	**(14,200)**	101,137	**(115,337)**
Less:			
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets	**(16,647)**	(14,638)	**(2,009)**
Standardized Free Cash Flow	**$ (30,847)**	$ 86,499	**$ (117,346)**

Net Debt and Net Debt to Rolling Twelve-Month Adjusted EBITDA

Net Debt is calculated as the sum of bank loans, long-term debt (excluding deferred finance costs and modification gains/losses) and lease liabilities, less cash.

We consider Net Debt to be an important indicator of our Company's financial leverage because it represents the amount of debt that is not covered by available cash. We believe investors and analysts use Net Debt to determine the Company's financial leverage. Net Debt has no comparable IFRS financial measure, but rather is calculated using several asset and liability items in the consolidated statements of financial position.

Net Debt to Rolling Twelve-Month Adjusted EBITDA is calculated as Net Debt divided by Rolling Twelve-Month Adjusted EBITDA (see page 17). We consider Net Debt to Rolling Twelve-Month Adjusted EBITDA to be an important indicator of our ability to generate earnings sufficient to service our debt, that enhances understanding of our financial performance and highlights operational trends. This measure is widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies; however, the calculations of Adjusted EBITDA may not be comparable to those of other companies, which limits their usefulness as comparative measures.

The following table reconciles Net Debt to IFRS measures reported as at the end of the indicated periods in the consolidated statements of financial position and calculates Net Debt to Rolling Twelve-Month Adjusted EBITDA.

(Amounts in $000s)	July 2, 2022	January 1, 2022	July 3, 2021
Bank loans	**$ 30,594**	$ 4,388	$ —
Add-back: Deferred finance costs included in bank loans [1]	**481**	163	—
Total bank loans	**31,075**	4,551	—
Long-term debt	**241,741**	244,994	248,228
Current portion of long-term debt	**7,500**	5,625	1,875
Add-back: Deferred finance costs included in long-term debt [2]	**5,248**	5,810	6,393
Less: Net loss on modification of debt [3]	**(609)**	(674)	(742)
Total term loan debt	**253,880**	255,755	255,754
Long-term portion of lease liabilities	**4,960**	6,851	8,811
Current portion of lease liabilities	**4,577**	4,327	4,853
Total lease liabilities	**9,537**	11,178	13,664
Less: Cash	**(286)**	(443)	(21,257)
Net Debt	**$ 294,206**	$ 271,041	$ 248,161
Rolling Twelve-Month Adjusted EBITDA	**$ 96,717**	$ 90,422	$ 87,631
Net Debt to Rolling Twelve-Month Adjusted EBITDA	**3.0x**	**3.0x**	**2.8x**

(1) Represents deferred finance costs that are included in "Bank loans" in the consolidated statements of financial position. See Note 5 to the Consolidated Financial Statements.
(2) Represents deferred finance costs that are included in "Long-term debt" in the consolidated statements of financial position. See Note 6 to the Consolidated Financial Statements.
(3) A gain on modification of debt related to the refinancing completed in March 2021, net of a loss on the modification of debt related to debt refinancing completed in October 2019, has been excluded from the calculation of Net Debt as it does not represent the expected cash outflows from the term loan facility. See Note 6 to the Consolidated Financial Statements.

GOVERNANCE

In accordance with National Instrument 52-109 *"Certification of Disclosure in Issuers' Annual and Interim Filings"*, our certifying officers have evaluated the design effectiveness of Disclosure Controls and Procedures ("DC&P"), and our Company's Internal Control over Financial Reporting ("ICFR"). There were no changes in the Company's ICFR during the period beginning on April 3, 2022 and ending on July 2, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

ACCOUNTING ESTIMATES AND STANDARDS

Critical Accounting Estimates

Critical accounting judgments and estimates used in preparing our Consolidated Financial Statements are described in the Company's 2021 Annual Report. The preparation of the Company's Consolidated Financial Statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of sales, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates under different assumptions and conditions that could require a material adjustment to the reported carrying amounts in the future.

Accounting Standards

The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended January 1, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2022 and that the Company adopted on January 2, 2022:

IFRS 3, Business Combinations

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* to add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

In addition, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments will promote consistency within financial reporting and will avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. The Company has adopted the amendments to IFRS 3, which had no impact on the Consolidated Financial Statements.

RISK FACTORS

High Liner Foods is exposed to a number of risks in the normal course of business that have the potential to affect operating performance. The Company takes a strategic approach to risk management. To achieve a superior return on investment, we have designed an enterprise-wide approach, overseen by the senior management of the Company and reported to the Board, to identify, prioritize and manage risk effectively and consistently across the organization.

Readers should refer to the 2021 Annual Report and AIF for a more detailed description of risk factors applicable to the Company, which are available at www.sedar.com and at www.highlinerfoods.com. We have updated certain risk factors below for the first half of 2022.

Geopolitical Risk

Although the Company's operations are principally in North America, it sources seafood globally and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary for each country and include, but are not limited to: international armed conflict and terrorism, including Russia's invasion of Ukraine; fluctuations in currency exchange rates; inflation rates; labour unrest; civil commotion and unrest; global pandemic (including COVID-19 (see Risk Factor below)); changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions and social unrest; changes in trade agreements; economic sanctions, import/export restrictions, tariffs and other trade barriers.

The global economy has been negatively impacted by Russia's invasion of Ukraine. In connection with this conflict, governments throughout the world, including Canada and the U.S., have imposed trade restrictions on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Although the Company has no direct operations in Russia or Ukraine, the global seafood supply chain does include a significant volume of whitefish, such as pacific cod and pollock, that are sourced from Russian waters. As some of the processed seafood purchased by the Company was made from seafood originally harvested in Russian waters, we have experienced shortages in materials and increased costs for transportation, energy, and raw material due in part to the negative impact of the Russia-Ukraine conflict on the global economy. Further escalation of geopolitical tensions related to the conflict, including new sanction policies, increased trade barriers or restrictions on global trade, could result in, among other things, supply disruptions, cyberattacks, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business and supply chain, and these impacts could be material. In addition, the effects of the ongoing conflict could heighten many of our known risks described in the Risk Factors section of our 2021 Annual Report.

Changes, if any, in trade agreements and/or policies, the imposition of sectoral and economic sanctions, or shifts in political and/or consumer attitude, could adversely and materially affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations including, but not limited to, trade restrictions, income taxes, foreign investment, and environmental legislation.

In 2018, the USTR commenced certain trade actions, including imposing tariffs on certain goods imported from China, including some of the species the Company imports from China. The Company has implemented plans, including pricing actions and other supply chain initiatives, to mitigate the impact of these tariffs and reduce the estimated impact to the Company's operations. However, the Company cannot control the duration or depth of such actions, which may increase product costs and reduce profitability, and potentially decrease the competitiveness of its products.

COVID-19 Pandemic

The Company's business operations and financial condition may be materially adversely affected by public health emergencies, including the COVID-19 pandemic, as well as the related government responses and consumer and customer behaviour. The COVID-19 pandemic has resulted in governmental authorities implementing various measures including, but not limited to: travel bans and restrictions; social distancing measures; quarantines; increased border and port controls and closures and shutdowns; all or any of which may adversely impact the Company's operations, suppliers, customers, consumers, counterparties, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its business strategy. There is significant uncertainty regarding these measures and potential future measures, all of which could reduce customer and consumer demand, and/or impact the Company's ability to meet that demand.

The full extent and impact of the COVID-19 pandemic on the Company's operations is unknown. Potential material adverse impacts of the COVID-19 pandemic include, but are not limited to:

- An increased risk of supply chain disruption, including:
    - suspension of plant operations, as a result of positive COVID-19 tests or government orders or other externally imposed restrictions on suppliers, third-party seafood processing facilities, or at the Company's facilities; or
    - freight delays and rising costs due to the impact of COVID-19 on global shipping;
- An increased risk of availability and price volatility of seafood and non-seafood goods used in the Company's production of seafood products;
- An increased risk of a material reduction in demand for the Company's products, particularly related to the Company's foodservice business that has been the most impacted by social distancing regulations;
- An increased risk of delays in the completion of capital projects;
- An increase in geopolitical risk related to governmental restrictions and market responses to COVID-19, including the impacts on operations of social distancing regulations, fluctuating currency exchange rates, and volatile market conditions;
- An increased risk of disruptions in international trade and access to markets;
- An increase in risk related to employment matters and the Company's workforce including, but not limited to, increased employee absences related to the COVID-19 pandemic and temporary or permanent layoffs as a result of reduction in product demand;

- An increase in credit risk due to impact of COVID-19 on the liquidity of the Company's customers;
- An increase in liquidity risk for the Company associated with any negative impact of COVID-19 on cash flows from operations due to declines in sales volume; and,
- An increased risk related to the Company's financial estimates and judgments that rely on microeconomic and/or macroeconomic factors due to the uncertain impact of COVID-19 on various inputs (see Note , "*COVID-19 pandemic"* to the Consolidated Financial Statements).

Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, including the results of measures taken to slow the spread and the broader impact COVID-19 may have on the North American and global economies or financial markets, we are unable at this time to accurately predict the overall impact of COVID-19 on our operations, liquidity, financial condition, or results. Any future epidemic, pandemic, or other public health crisis that occurs in the future may pose similar risks to the Company.

Foreign Currency

High Liner Foods reports its results in USD to reduce volatility caused by changes in the USD to CAD exchange rate. The Company's income statement and balance sheet are both affected by foreign currency fluctuations in a number of ways. The Company's shares are traded in CAD and reports its results in USD, therefore, investors are reminded to take this into consideration for purposes of calculating financial ratios, including dividend payout and share price-to-earnings ratios.

The Canadian dollar weakened relative to the U.S. dollar by approximately 4.6% as of July 2, 2022 compared to July 3, 2021. On our balance sheet, this decreases the USD carrying value of both CAD-denominated assets and liabilities and increases the foreign exchange translation impact of our Canadian company included in accumulated other comprehensive income ("AOCI") in shareholders' equity. As our Canadian operations are a net importer of seafood and other products purchased in USD, a stronger CAD reduces its costs and a weaker CAD increases its costs in its CAD functional currency.

In order to minimize foreign exchange risk, we undertake hedging activities using various derivative products in accordance with the Company's "Price Risk Management Policy", which is approved and monitored by the Board of Director's Audit Committee. We hedge the USD costs of a portion of our raw material requirements and retail commodity products as sales price increases on these products take more time to implement. We generally do not hedge certain commodity foodservice products as the sale prices to our customers change frequently enough to capture foreign exchange fluctuations, but may do so from time to time. During the second quarter of 2022, our hedging activities resulted in an effective USD/CAD exchange rate of 1.2759 for inventory purchased in USD by our Canadian operations, compared to 1.2502 for the second quarter of 2021.

Our risk management strategy with respect to exposure to the Canadian dollar is fully explained in the MD&A in our 2021 Annual Report.

The occurrence and the extent of these various factors and uncertainties cannot be accurately predicted and could have a material adverse effect on the Company's operations and profitability.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the thirteen and twenty-six weeks ended July 2, 2022
With comparative figures as at and for the thirteen and twenty-six weeks ended July 3, 2021

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited, in thousands of United States dollars)

	Notes		July 2, 2022		January 1, 2022
ASSETS					
Current assets					
Cash		**$**	**286**	$	443
Accounts receivable			**88,015**		87,122
Income taxes receivable			**2,011**		5,870
Other financial assets	**12**		**3,002**		540
Inventories			**330,838**		308,183
Prepaid expenses	**4**		**16,957**		3,419
Total current assets			**441,109**		405,577
Non-current assets					
Property, plant and equipment			**113,255**		115,852
Right-of-use assets			**9,358**		11,041
Deferred income taxes	**9**		**170**		24
Other receivables and assets	**12**		**3,310**		1,008
Intangible assets			**132,741**		135,195
Goodwill			**157,575**		157,772
Total non-current assets			**416,409**		420,892
Total assets	**5, 6**	**$**	**857,518**	$	826,469
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Bank loans	**5**	**$**	**30,594**	$	4,388
Accounts payable and accrued liabilities			**144,586**		164,135
Contract liability			**2,206**		1,585
Provisions			**1,044**		172
Other current financial liabilities	**12**		**493**		1,269
Other current liabilities	**8**		**4,004**		5,499
Income taxes payable			**—**		35
Current portion of long-term debt	**6**		**7,500**		5,625
Current portion of lease liabilities			**4,577**		4,327
Total current liabilities			**195,004**		187,035
Non-current liabilities					
Long-term debt	**6**		**241,741**		244,994
Other long-term financial liabilities	**12**		**34**		23
Other long-term liabilities	**8**		**4,935**		7,874
Long-term lease liabilities			**4,960**		6,851
Deferred income taxes	**9**		**38,536**		34,179
Future employee benefits			**7,695**		12,989
Total non-current liabilities			**297,901**		306,910
Total liabilities			**492,905**		493,945
Shareholders' equity					
Common shares	**7**		**113,213**		113,458
Contributed surplus			**17,996**		17,477
Retained earnings			**251,184**		219,965
Accumulated other comprehensive loss			**(17,780)**		(18,376)
Total shareholders' equity			**364,613**		332,524
Total liabilities and shareholders' equity		**$**	**857,518**	$	826,469

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF INCOME
(unaudited, in thousands of United States dollars, except per share amounts)

		Thirteen weeks ended		Twenty-six weeks ended	
	Notes	**July 2, 2022**	July 3, 2021	**July 2, 2022**	July 3, 2021
Sales	**11**	**$ 253,452**	$ 189,811	**$ 548,187**	$ 433,224
Cost of sales		**197,123**	145,450	**429,844**	331,186
Gross profit		**56,329**	44,361	**118,343**	102,038
Distribution expenses		**14,103**	11,657	**31,214**	24,620
Selling, general and administrative expenses		**23,105**	21,452	**45,546**	46,553
Impairment of property, plant and equipment		**51**	—	**51**	—
Business acquisition, integration and other (income) expense	**3**	**(9,034)**	760	**(8,766)**	1,140
Results from operating activities		**28,104**	10,492	**50,298**	29,725
Finance costs (income)	**6**	**3,808**	3,708	**7,600**	173
Income before income taxes		**24,296**	6,784	**42,698**	29,552
Income taxes					
Income tax expense (recovery)	**9**	**5,319**	(1,237)	**9,076**	3,703
Net income		**$ 18,977**	$ 8,021	**$ 33,622**	$ 25,849
Earnings per common share					
Basic		**$ 0.56**	$ 0.23	**$ 0.99**	$ 0.76
Diluted		**$ 0.54**	$ 0.23	**$ 0.95**	$ 0.74
Weighted average number of shares outstanding					
Basic		**33,884,676**	33,789,945	**33,830,995**	33,905,957
Diluted		**35,047,827**	35,140,722	**35,211,783**	35,162,039

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands of United States dollars)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Net income	**$ 18,977**	$ 8,021	**$ 33,622**	$ 25,849
Other comprehensive income (loss), net of income tax				
Other comprehensive income (loss) to be reclassified to net income:				
(Loss) gain on hedge of net investment in foreign operations	**(8,543)**	4,772	**(5,438)**	8,719
Gain (loss) on translation of net investment in foreign operations	**13,908**	(7,308)	**8,880**	(13,258)
Translation impact on Canadian dollar denominated non-AOCI items	**(10,389)**	5,408	**(6,669)**	9,328
Translation impact on Canadian dollar denominated AOCI items	**860**	(550)	**500**	(950)
Total exchange (losses) gains on translation of foreign operations and Canadian dollar denominated items	**(4,164)**	2,322	**(2,727)**	3,839
Effective portion of changes in fair value of cash flow hedges	**1,224**	(597)	**3,415**	(657)
Net change in fair value of cash flow hedges transferred to carrying amount of hedged item	**56**	583	**44**	1,038
Net change in fair value of cash flow hedges transferred to income	**30**	56	**99**	373
Translation impact on Canadian dollar denominated AOCI items	**(367)**	156	**(235)**	273
Total exchange gains on cash flow hedges	**943**	198	**3,323**	1,027
Net other comprehensive (loss) gain to be reclassified to net income	**(3,221)**	2,520	**596**	4,866
Other comprehensive income not to be reclassified to net income				
Defined benefit plan actuarial gains	**1,577**	277	**3,514**	2,477
Other comprehensive (loss) income, net of income tax	**(1,644)**	2,797	**4,110**	7,343
Total comprehensive income	**$ 17,333**	$ 10,818	**$ 37,732**	$ 33,192

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS
(unaudited, in thousands of United States dollars)

	Foreign currency translation differences	**Net exchange differences on cash flow hedges**	**Total accumulated other comprehensive (loss) income**
Balance at January 1, 2022	**$ (19,524)**	**$ 1,148**	**$ (18,376)**
Total exchange losses on translation of foreign operations and Canadian dollar denominated items	**(2,727)**	**—**	**(2,727)**
Total exchange gains on cash flow hedges	**—**	**3,323**	**3,323**
Balance at July 2, 2022	**$ (22,251)**	**$ 4,471**	**$ (17,780)**
Balance at January 2, 2021	$ (20,648)	$ (1,289)	$ (21,937)
Total exchange gains on translation of foreign operations and Canadian dollar denominated items	3,839	—	3,839
Total exchange gains on cash flow hedges	—	1,027	1,027
Balance at July 3, 2021	$ (16,809)	$ (262)	$ (17,071)

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited, in thousands of United States dollars)

	Common shares	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total
Balance at January 1, 2022	**$ 113,458**	**$ 17,477**	**$ 219,965**	**$ (18,376)**	**$ 332,524**
Other comprehensive income	**—**	**—**	**3,514**	**596**	**4,110**
Net income	**—**	**—**	**33,622**	**—**	**33,622**
Common share dividends	**—**		**(5,171)**	**—**	**(5,171)**
Share-based compensation (Note 7, 8)	**41**	**519**	**—**	**—**	**560**
Common shares repurchased for cancellation (Note 7)	**(286)**	**—**	**(746)**	**—**	**(1,032)**
Balance at July 2, 2022	**$ 113,213**	**$ 17,996**	**$ 251,184**	**$ (17,780)**	**$ 364,613**
Balance at January 2, 2021	$ 112,739	$ 16,551	$ 183,649	$ (21,937)	$ 291,002
Other comprehensive income	—	—	2,477	4,866	7,343
Net income	—	—	25,849	—	25,849
Common share dividends	—	—	(3,782)	—	(3,782)
Share-based compensation (Note 7, 8)	1,059	274	—	—	1,333
Common shares repurchased for cancellation (Note 7)	(43)	—	(125)	—	(168)
Balance at July 3, 2021	$ 113,755	$ 16,825	$ 208,068	$ (17,071)	$ 321,577

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

HIGH LINER FOODS INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands of United States dollars)

	Notes	Thirteen weeks ended July 2, 2022	Thirteen weeks ended July 3, 2021	Twenty-six weeks ended July 2, 2022	Twenty-six weeks ended July 3, 2021
Cash flows provided by (used in):					
Operating activities					
Net income		**$ 18,977**	$ 8,021	**$ 33,622**	$ 25,849
Adjustments to net income not involving cash from operations:					
Depreciation and amortization		**5,692**	5,766	**11,363**	11,484
Share-based compensation expense	**8**	**547**	2,481	**713**	4,993
Loss on asset disposals and impairment		**126**	131	**173**	151
Future employee benefits contribution, net of expense		**(208)**	(176)	**(253)**	(163)
Finance costs (income)		**3,808**	3,708	**7,600**	173
Income tax expense (recovery)	**9**	**5,319**	(1,237)	**9,076**	3,703
Unrealized foreign exchange loss (gain)		**125**	984	**(820)**	664
Cash flows provided by operations before changes in non-cash working capital, interest and income taxes paid		**34,386**	19,678	**61,474**	46,854
Changes in non-cash working capital balances:					
Accounts receivable		**32,742**	7,280	**(1,205)**	(10,580)
Inventories		**(46,866)**	(24,781)	**(25,353)**	16,824
Prepaid expenses		**(12,898)**	(992)	**(13,606)**	(1,039)
Accounts payable and accrued liabilities		**7,462**	14,221	**(22,395)**	(5,184)
Provisions		**868**	(1,402)	**876**	(1,446)
Net change in non-cash working capital balances		**(18,692)**	(5,674)	**(61,683)**	(1,425)
Interest paid		**(3,007)**	(3,646)	**(6,410)**	(8,250)
Income taxes paid		**(3,352)**	(4,419)	**(3,775)**	(4,688)
Net cash flows provided by (used in) operating activities		**9,335**	5,939	**(10,394)**	32,491
Financing activities					
Increase in bank loans		**2,008**	—	**26,860**	—
Repayment of lease liabilities		**(1,278)**	(1,428)	**(2,565)**	(2,677)
Repayment of long-term debt	**6**	**(1,884)**	(7,500)	**(1,884)**	(29,560)
Deferred finance costs		**(372)**	(5)	**(372)**	(1,017)
Common share dividends paid		**(2,568)**	(1,931)	**(5,171)**	(3,782)
Common shares repurchased for cancellation	**7**	**(751)**	(168)	**(1,031)**	(168)
Net cash flows (used in) provided by financing activities		**(4,845)**	(11,032)	**15,837**	(37,204)
Investing activities					
Purchase of property, plant and equipment, net of investment tax credits, and intangible assets		**(3,257)**	(7,166)	**(5,094)**	(8,766)
Net cash flows (used in) provided by investing activities		**(3,257)**	(7,166)	**(5,094)**	(8,766)
Foreign exchange (decrease) increase on cash		**(1,115)**	335	**(506)**	1,801
Net change in cash during the period		**118**	(11,924)	**(157)**	(11,678)
Cash, beginning of period		**168**	33,181	**443**	32,935
Cash, end of period		**$ 286**	$ 21,257	**$ 286**	$ 21,257

See accompanying notes to the Unaudited Condensed Interim Consolidated Financial Statements

1. Corporate information

High Liner Foods Incorporated (the "Company" or "High Liner Foods") is a company incorporated and domiciled in Canada. The address of the Company's registered office is 100 Battery Point, P.O. Box 910, Lunenburg, Nova Scotia, B0J 2C0. The Unaudited Condensed Interim Consolidated Financial Statements ("Consolidated Financial Statements") of the Company as at and for the twenty-six weeks ended July 2, 2022, comprise High Liner Foods' Canadian company (the "Parent") and its subsidiaries (herein together referred to as the "Company" or "High Liner Foods"). The Company is primarily involved in the processing and marketing of prepared and packaged frozen seafood products.

These Consolidated Financial Statements were authorized for issue in accordance with a resolution of the Company's Board of Directors on August 10, 2022.

2. Basis of preparation

(a) Statement of compliance
These Consolidated Financial Statements are in compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. These Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 1, 2022, as set out in the 2021 Annual Report, available at www.highlinerfoods.com.

(b) Functional and presentation currency
The Company determines its functional currency based on the currency of the primary economic environment in which it operates. The Parent's functional currency is the Canadian dollar ("CAD"), while the functional currencies of its subsidiaries is the CAD and the United States dollar ("U.S. dollar" or "USD"). The Company has chosen a USD presentation currency for its financial statements because the USD better reflects the Company's overall business activities and improves investors' ability to compare the Company's consolidated financial results with other publicly traded businesses in the packaged foods industry (most of which are based in the United States ("U.S.") and report in USD) and should result in less volatility in reported sales and income on the conversion to the presentation currency.

(c) Seasonality of operations
The Company's operating results are affected by the timing of holidays. Inventory levels fluctuate throughout the year, and are at their highest in the first quarter to support strong sales during the Lenten period. In addition, the timing of ordering raw materials is earlier than typically required in order to have adequate quantities available during the seasonal closure of plants in Asia during the Lunar New Year period. These events typically result in significantly higher inventories in December, January, February and March than during the rest of the year.

(d) New standards, interpretations and amendments thereof, adopted by the Company
The accounting policies used in the preparation of the Consolidated Financial Statements are consistent with those followed in the preparation of the Company's audited consolidated financial statements for the year ended January 1, 2022, except for the adoption of the following new amendment that was effective for annual periods beginning on January 1, 2022 and that the Company has adopted on January 2, 2022:

IFRS 3, Business Combinations

In May 2020, the IASB issued amendments to IFRS 3, *Business Combinations - Reference to the Conceptual Framework* to add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

In addition, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments will promote consistency within financial reporting and will avoid potential confusion from having more than one version of the *Conceptual Framework* in use.

The amendments are effective for annual periods beginning on or after January 1, 2022 and must be applied prospectively. The Company has adopted the amendments to IFRS 3, which had no impact on the Consolidated Financial Statements.

3. Insurance proceeds

During Fiscal 2020, High Liner Foods filed a lawsuit in California Superior Court against Mr. Brian Wynn relating to misrepresentations the Company alleges Mr. Wynn made during the due diligence process for the acquisition of Rubicon Resources LLC ("Rubicon"). The Company is claiming a number of remedies, including rescission, disgorgement and damages. After filing the claim against Mr. Wynn, High Liner Foods also filed a claim under the Representations and Warranty insurance policy (the "Insurance Policy") that was procured by High Liner Foods to provide coverage for breaches of the representations made by Rubicon and Mr. Wynn when it acquired Rubicon. During Fiscal 2021, the Company filed its arbitration demand and the arbitration is proceeding. The Company cannot predict the outcome of the legal proceedings against Mr. Wynn, nor the amount of likely recovery from Mr. Wynn, however the insurer, under the Insurance Policy, has agreed that there were breaches of the representations made by Mr. Wynn resulting in damages in excess of the policy limit. Accordingly, during the thirteen weeks ended July 2, 2022, the Company received the total available amount under the Insurance Policy of $10.0 million.

4. Prepaid expenses

(Amounts in $000s)		**July 2, 2022**		July 3, 2021
Inventory prepayments	**$**	**12,594**	$	—
Other prepaid expenses		**4,363**		5,281
	$	**16,957**	$	5,281

As at July 2, 2022 (July 3, 2021: $nil), prepaid expenses included $12.6 million of inventory prepayments the Company made for finished goods inventory.

5. Bank loans

(Amounts in $000s)		**July 2, 2022**		January 1, 2022
Bank loans, denominated in CAD (average variable rate of 3.7%; January 1, 2022: 2.45%)	**$**	**3,634**	$	2,038
Bank loans, denominated in USD (average variable rate of 3.73%; January 1, 2022: 3.32%)		**27,441**		2,513
		31,075		4,551
Less: deferred finance costs		**(481)**		(163)
	$	**30,594**	$	4,388

The Company has a $150.0 million working capital facility (the "Facility"), with the Royal Bank of Canada as Administrative Agent, which was amended on April 28, 2022 to extend the term expiry from April 2023 to April 2027. The amendment also included a necessary update from LIBOR to Secured Overnight Financing Rate ("SOFR") based loans. The Facility is asset-based and collateralized by the Company's inventories, accounts receivable and other personal property in North America, subject to a first charge on brands, trade names and related intangibles under the Company's term loan facility (see Note 6). A second charge over the Company's property, plant and equipment is also in place. Taking into account the current borrowing base and letters of credit, as at July 2, 2022, the Company had $93.9 million of borrowing availability (January 1, 2022: $117.1 million).

As at July 2, 2022 and January 1, 2022, the Facility allowed the Company to borrow:

Canadian Prime Rate revolving loans, Canadian Prime Rate revolving and U.S. Prime Rate revolving loans, at their respective rates	plus 0.00% to 0.25%
Bankers' Acceptances ("BA") revolving loans, at BA rates	plus 1.25% to 1.50%
SOFR revolving loans at, Adjusted Term SOFR rates	plus 1.25% to 1.50%
Letters of credit, with fees of	1.25% to 1.50%
Standby fees, required to be paid on the unutilized facility, of	0.25%

6. Long-term debt

(Amounts in $000s)		**July 2, 2022**		January 1, 2022
Term loan	**$**	**254,489**	$	256,429
Less: current portion		**(7,500)**		(5,625)
		246,989		250,804
Less: deferred finance costs		**(5,248)**		(5,810)
	$	**241,741**	$	244,994

As at July 2, 2022, the Company had a $300.0 million term facility with an interest rate of LIBOR plus 3.75% (0.75% LIBOR floor), maturing in October 2026. As part of the amendments to the term loan facility completed in March 2021, a modification gain of $7.8 million decreased the carrying value of the term loan facility and was recorded in finance costs (income) on the consolidated statements of income during the fifty-two weeks ended January 1, 2022 due to the net present value of the cash flows of the modified debt being lower than the carrying value of the original facility before amendments. Excluding the impact of the net modification gain on the carrying value, the principal balance outstanding of term loan debt was $253.9 million at July 2, 2022.

Quarterly principal repayments of $1.9 million are required on the term loan as regularly scheduled repayments. During the twenty-six weeks ended July 2, 2022, a regularly scheduled repayment of $1.9 million was made. A voluntary repayment of $7.5 million was made during the fifty-two weeks ended January 1, 2022 that was applied against scheduled principal repayments in the last three quarters of 2021 and the first quarter of 2022. There are regularly scheduled repayments of $7.5 million to be paid in the next 12 months.

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

7. Share capital

Purchase of shares for cancellation

In June 2022, the Company announced that the Toronto Stock Exchange approved a Normal Course Issued Bid to repurchase up to 200,000 common shares. Purchases could commence on on June 7, 2022 and will terminate no later than June 6, 2023. During the twenty-six weeks ended July 2, 2022, the Company purchased 77,274 common shares under this plan at an average price of CAD$12.44 per share for total cash consideration of CAD$1.0 million. The excess of the purchase price over the book value of the shares in the amount of $0.5 million was charged to retained earnings.

In June 2021, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 150,000 common shares. Purchases could commence on June 23, 2021 and were terminated early on June 7, 2022. During the fifty-two weeks ended January 1, 2022, the Company purchased 122,100 common shares under this plan. During the twenty-six weeks ended July 2, 2022, the Company purchased the remaining 27,900 common shares under this plan at an average price of CAD$12.71 per share for total cash consideration of CAD$0.4 million. The excess of the purchase price over the book value of the shares in the amount of $0.2 million was charged to retained earnings.

In March 2020, the Company announced that the Toronto Stock Exchange approved a Normal Course Issuer Bid to repurchase up to 200,000 common shares. Purchases could commence on March 10, 2020 and terminated on March 9, 2021. During the twenty-six weeks ended July 3, 2021, the Company did not purchase common shares under this plan.

A summary of the Company's common share transactions is as follows:

	Twenty-six weeks ended July 2, 2022		Twenty-six weeks ended July 3, 2021	
	Shares	**($000s)**	Shares	($000s)
Balance, beginning of period	**33,329,710**	**$ 113,458**	33,323,481	$ 112,739
Options exercised for shares via cashless exercise method (Note 8)	**10,904**	**41**	44,924	173
Shares issued on redemption of PSU/RSUs (Note 8)	**—**	**—**	83,405	886
Shares repurchased for cancellation	**(105,174)**	**(286)**	(15,200)	(43)
Balance, end of period	**33,235,440**	**$ 113,213**	33,436,610	$ 113,755

During the thirteen and twenty-six weeks ended July 2, 2022, the Company distributed dividends per share of CAD$0.10 and CAD$0.20 respectively (thirteen and twenty-six weeks ended July 3, 2021: CAD$0.07 and CAD$0.14 respectively).

On August 10, 2022, the Company's Board of Directors declared a quarterly dividend of CAD$0.10 per share, payable on September 15, 2022 to shareholders of record as of September 1, 2022.

8. Share-based compensation

The Company has a Share Option Plan (the "Option Plan") for designated directors, officers and certain managers of the Company, a Performance Share Unit ("PSU") Plan for eligible employees which includes the potential issuances of restricted share units ("RSU"), and a Deferred Share Unit ("DSU") Plan for directors of the Company.

Issuances of options, RSUs and PSUs may not result in the following limitations being exceeded: (a) the aggregate number of shares issuable to insiders pursuant to the PSU Plan, the Option Plan or any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares at any time; and (b) the issuance from treasury to insiders, within a twelve-month period, of an aggregate number of shares under the PSU Plan, the Option Plan and any other share-based compensation arrangement of the Company exceeding 10% of the aggregate of the issued and outstanding shares.

The carrying amount of cash-settled share-based compensation arrangements recognized in other current liabilities and other long-term liabilities on the consolidated statements of financial position was $4.0 million and $4.9 million, respectively, as at July 2, 2022 (January 1, 2022: $5.5 million and $7.9 million, respectively).

Share-based compensation expense is recognized in the consolidated statements of income as follows:

	Thirteen weeks ended		Twenty-six weeks ended	
(Amounts in $000s)	**July 2, 2022**	July 3, 2021	**July 2, 2022**	July 3, 2021
Cost of sales resulting from:				
Equity-settled awards [(1)]	**$ 6**	$ 7	**$ 13**	$ 14
Selling, general and administrative expenses resulting from:				
Cash-settled awards [(1)]	**448**	2,384	**490**	4,794
Equity-settled awards [(1)]	**93**	90	**210**	185
Share-based compensation expense	**$ 547**	$ 2,481	**$ 713**	$ 4,993

[(1)] Cash-settled awards may include PSUs, RSUs and DSUs. Equity-settled awards include options.

The following table illustrates the number ("No.") and weighted average exercise prices ("WAEP") of, and movements in, options during the period:

	Thirteen weeks ended				Twenty-six weeks ended			
	July 2, 2022		July 3, 2021		**July 2, 2022**		July 3, 2021	
	No.	**WAEP (CAD)**	No.	WAEP (CAD)	**No.**	**WAEP (CAD)**	No.	WAEP (CAD)
Outstanding, beginning of period	**1,536,320**	**$ 10.24**	1,461,109	$ 10.22	**1,447,096**	**$ 10.18**	1,748,843	$ 10.65
Granted	**—**	**—**	—	—	**151,325**	**12.70**	94,695	13.41
Exercised for shares via cashless method [(1)]	**—**	**—**	—	—	**(26,618)**	**7.49**	(122,497)	8.02
Expired	**—**	**—**	(74,850)	13.68	**(35,483)**	**20.61**	(334,782)	14.93
Outstanding, end of period	**1,536,320**	**$ 10.24**	1,386,259	$ 10.04	**1,536,320**	**$ 10.24**	1,386,259	$ 10.04
Exercisable, end of period	**1,184,066**	**$ 9.79**	1,011,955	$ 10.43	**1,184,066**	**$ 9.79**	1,011,955	$ 10.43

[(1)] For the twenty-six weeks ended July 2, 2022, 10,904 shares were issued related to options exercised via the cashless method (twenty-six weeks ended July 3, 2021: 44,924). The weighted average share price at the date of exercise for these options was CAD$12.68 for the twenty-six weeks ended July 2, 2022 (twenty-six weeks ended July 3, 2021: CAD$12.64).

Set forth below is a summary of the outstanding options to purchase common shares as at July 2, 2022:

	Options outstanding			**Options exercisable**	
Option price (CAD)	**Number outstanding**	**Weighted average exercise price**	**Average life (years)**	**Number exercisable**	**Weighted average exercise price**
$ 7.25–10.00	529,241	$ 7.48	2.15	447,665	$ 7.47
$ 10.01–15.00	1,007,079	11.69	2.54	736,401	11.19
	1,536,320			**1,184,066**	

In United States dollars, unless otherwise noted

The fair value of options granted during the twenty-six weeks ended July 2, 2022 and twenty-six weeks ended July 3, 2021 was estimated on the date of grant using the Black-Scholes pricing model with the following weighted average inputs and assumptions:

	July 2, 2022	July 3, 2021
Dividend yield (%)	**3.15**	2.09
Expected volatility (%)	**41.58**	41.75
Risk-free interest rate (%)	**1.43**	1.32
Expected life (years)	**7.00**	7.00
Weighted average share price (CAD)	**$ 12.70**	$ 13.41
Weighted average fair value (CAD)	**$ 3.93**	$ 4.70

The expected life of the options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table illustrates the movements in the number of PSUs during the period:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Outstanding, beginning of period	**592,131**	618,426	**628,844**	604,940
Granted	**—**	—	**181,725**	142,949
Reinvested dividends	**4,668**	2,947	**9,387**	5,950
Released and paid in cash	**—**	—	**(217,015)**	(92,178)
Released and paid in shares	**—**	—	**—**	(38,312)
Forfeited	**(3,106)**	(7,672)	**(9,248)**	(9,648)
Outstanding, end of period	**593,693**	613,701	**593,693**	613,701

The expected performance multiplier used in determining the fair value of the liability and related share-based compensation expense for PSUs for the twenty-six weeks ended July 2, 2022 was 94% (twenty-six weeks ended July 3, 2021: 128%).

The following table illustrates the movements in the number of RSUs during the period:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Outstanding, beginning of period	**466,117**	434,616	**479,880**	512,740
Granted	**—**	—	**134,901**	109,760
Reinvested dividends	**3,658**	2,106	**7,362**	4,247
Released and paid in cash	**—**	—	**(148,533)**	(100,693)
Released and paid in shares	**—**	—	**—**	(87,355)
Forfeited	**(3,105)**	(5,034)	**(6,940)**	(7,011)
Outstanding, end of period	**466,670**	431,688	**466,670**	431,688

The share price at the reporting date was CAD$11.73 (July 3, 2021: CAD$13.53). PSUs will vest at the end of a three-year period, if agreed-upon performance measures are met, and the RSUs will vest in accordance with the terms of the agreement.

The following table illustrates the movements in the number of DSUs during the period:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 2, 2022	July 3, 2021	**July 2, 2022**	July 3, 2021
Outstanding, beginning of period	**324,335**	270,233	**317,103**	267,559
Granted	**57,087**	35,881	**61,737**	37,184
Reinvested dividends	**3,055**	1,578	**5,637**	2,949
Outstanding, end of period	**384,477**	307,692	**384,477**	307,692

9. Income tax expense

The Company's statutory tax rate for the thirteen and twenty-six weeks ended July 2, 2022 was 27.9% (thirteen and twenty-six weeks ended July 3, 2021: 27.8%). The Company's effective income tax rate for the thirteen and twenty-six weeks ended July 2, 2022 was an expense of 21.9% and 21.3% (thirteen and twenty-six weeks ended July 3, 2021: a recovery of 18.2% and an expense of 12.5%). The higher effective tax rate for the twenty-six weeks ended July 2, 2022, was primarily attributable to the recognition of previously unrecorded tax assets during the twenty-six weeks ended July 3, 2021, as well as a reduction in statutory rate that did not repeat in the current year, partially offset by the Company's tax efficient financing structure.

10. Related party transactions

The Company had no related party transactions, excluding key management personnel compensation, for the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021.

11. Geographic information

Sales earned outside of Canada for the thirteen and twenty-six weeks ended July 2, 2022 were $188.5 million and $419.4 million, respectively (July 3, 2021: $137.6 million and $326.5 million, respectively). Sales by geographic area are determined based on the shipping location. The Company disaggregates revenue from contracts with customers based on its single operating segment, North America.

The non-current assets outside of Canada are as follows:

(Amounts in $000s)		**July 2, 2022**		January 1, 2022
Property, plant and equipment	**$**	**84,600**	$	86,104
Right-of-use assets		**6,753**		8,126
Intangible assets		**118,317**		121,584
Goodwill		**147,916**		147,916
	$	**357,586**	$	363,730

12. Fair value measurement

Fair value of financial instruments

The Company uses a fair value hierarchy, based on the relative objectivity of the inputs used to measure the fair value of financial instruments, with Level 1 representing inputs with the highest level of objectivity and Level 3 representing inputs with the lowest level of objectivity. The following table sets out the Company's financial assets and liabilities by level within the fair value hierarchy:

	July 2, 2022		January 1, 2022	
(Amounts in $000s)	**Level 2**	**Level 3**	Level 2	Level 3
Fair value of financial assets				
Interest rate swaps	**$ 4,929**	**$ —**	$ 988	$ —
Foreign exchange contracts	**1,383**	**—**	560	—
Fair value of financial liabilities				
Interest rate swaps	**22**	**—**	443	—
Foreign exchange contracts	**505**	**—**	849	—
Long-term debt	**—**	**238,786**	—	249,533

The Company's Level 2 derivatives are valued using valuation techniques such as forward pricing and swap models. These models incorporate various market-observable inputs including foreign exchange spot and forward rates, and interest rate curves.

The fair values of long-term debt instruments, classified as Level 3 in the fair value hierarchy, are estimated based on unobservable inputs, including discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities, adjusted to reflect the Company's credit risk.

The Company uses the date of the event or change in circumstances to recognize transfers between Level 1, Level 2 and Level 3 fair value measurements. During the twenty-six weeks ended July 2, 2022, no such transfers occurred.

The financial liabilities not measured at fair value on the consolidated statements of financial position consist of long-term debt (including current portion). The carrying amount of these instruments was $249.2 million as at July 2, 2022 (January 1, 2022: $250.6 million).

Hedging activities

Interest rate swaps

During the twenty-six weeks ended July 2, 2022, the Company had the following interest rate swaps outstanding to hedge interest rate risk resulting from the term loan facility (see Note 6):

Effective date	**Maturity date**	**Receive floating rate**	**Pay fixed rate**	**Notional amount (millions)**
Designated in a formal hedging relationship:				
April 26, 2021	July 7, 2023	3-month LIBOR (floor 0.75%)	0.8250 %	$ 25.0
April 26, 2021	July 8, 2024	3-month LIBOR (floor 0.75%)	0.9700 %	$ 25.0
April 26, 2021	July 6, 2026	3-month LIBOR (floor 0.75%)	1.3385 %	$ 35.0
June 30, 2021	December 31, 2025	3-month LIBOR (floor 0.75%)	1.3610 %	$ 20.0

The cash flow hedge of interest expense variability was assessed to be effective for the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021, and therefore the change in fair value for those interest rate swaps designated in a hedging relationship was included in OCI as after-tax net gains of $0.4 million and after-tax net losses of $0.2 million, respectively and after-tax net gains of $3.0 million and nominal after-tax net losses. respectively.

The Company did not hold any interest rate swaps that were not designated in a formal hedging relationship during the twenty-six weeks ended July 2, 2022 and July 3, 2021. There were nominal amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended July 2, 2022 and $nil and $0.1 million recognized during the thirteen and twenty-six weeks ended July 3, 2021, respectively.

Foreign currency contracts

Foreign currency forward contracts are used to hedge foreign currency risk resulting from expected future purchases denominated in USD, which the Company has qualified as highly probable forecasted transactions, and to hedge foreign currency risk resulting from USD monetary assets and liabilities, which are not covered by natural hedges.

As at July 2, 2022, the Company had outstanding notional amounts of $42.9 million (July 3, 2021: $32.8 million) in foreign currency average-rate forward contracts that were formally designated as a hedge and $0.8 million in foreign currency single-rate forward contracts that were formally designated as a hedge (July 3, 2021: $1.9 million). With the exception of $0.9 million (July 3, 2021: $0.8 million) average-rate forward contracts with maturities ranging from July 2023 to December 2023, all foreign currency forward contracts have maturities that are less than one year.

The cash flow hedges of the expected future purchases were assessed to be effective for the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021, and therefore the change in fair value was recorded in OCI as after-tax net gains of $0.8 million and after-tax net losses $0.4 million, respectively, and after-tax net gains $0.4 million and after-tax net losses $0.7 million, respectively. There were nominal amounts recognized in the consolidated statements of income resulting from hedge ineffectiveness during the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021.

As at July 2, 2022, the Company had $35.0 million (July 3, 2021: $18.0 million) of foreign currency single-rate forward contracts to hedge foreign currency exchange risk on USD monetary assets and liabilities that were not formally designated as a hedge. The change in fair value related to hedging foreign currency exchange risk on USD monetary assets and liabilities, recognized in the consolidated statements of income for the twenty-six weeks ended July 2, 2022 and July 3, 2021, were net gains of $0.3 million and $nil, respectively.

Hedge of net investment in foreign operations

As at July 2, 2022, a total borrowing of $268.8 million ($5.0 million included in accounts payable, $15.0 million included in bank loans, $7.5 million included in the current portion of long-term debt and $241.7 million included in long-term debt (January 1, 2022: a total borrowing of $255.6 million ($5.0 million included in accounts payable, $5.6 million included in the current portion of long-term debt and $245.0 million included in long-term debt)) has been designated as a hedge of the net investment in the U.S. subsidiary and is being used to hedge the Company's exposure to foreign exchange risk on this net investment. Gains or losses on the re-translation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investment in the U.S. subsidiary. There was no hedge ineffectiveness recognized during the thirteen and twenty-six weeks ended July 2, 2022 and July 3, 2021.