Our Growth Story

remarkable seafood, responsible choice

CLEARWATER SEAFOODS INCORPORATED 2015
THIRD QUARTER REPORT

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LETTER TO SHAREHOLDERS

- Record sales and adjusted EBITDA for the third quarter of 2015 of $147.3 million and $38.8 million versus comparative 2014 figures of $134.1 million and $30.9 million. This represents year over year growth of 10% in sales and 26% in adjusted EBITDA due to strong sales prices and higher average exchange rates, partially offset by lower sales volumes.

- Strong operating cash flows in the third quarter and year to date period were offset by the timing of seasonal increases in working capital in 2015. These results are in line with management's expectations and position the company well to generate strong annual free cash flows.

- Successfully completed the acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies, on October 30, 2015.

- Declares an increase in the quarterly dividend from CAD $0.04 per share to CAD $0.05 per share payable on December 15, 2015 to shareholders of record as of November 30, 2015.

- Management expects strong market conditions for core species will continue for the balance of 2015, positively impacting sales prices and operating margins.

Third quarter results

Clearwater reported record sales and adjusted EBITDA[1] of $147.3 million and $38.8 million for the third quarter of 2015 versus 2014 comparative figures of $134.1 million and $30.9 million, respectively, representing growth of 10% in sales and 26% in adjusted EBITDA.

The 10% growth in sales and 25% growth in adjusted EBITDA were due to higher prices and higher average exchange rates, partially offset by lower sales volumes.

Sales and gross margin were positively impacted by strong market demand in all regions for our core species as well as higher selling prices in home currencies and higher average exchange rates for the US dollar, partially offset by higher harvesting and procurement costs and lower sales volumes.

These positive market conditions were partially offset by lower available supply for scallops and clams in the third quarter of 2015. Lower supply was due to challenging weather conditions in the first half of the year, unplanned vessel maintenance in our clam fleet, an expected cyclical reduction in our total allowable catch for sea scallops and the timing of landings were all contributing factors.

Gross margin as a percentage of sales increased from 25.4% to 31.8% as strong sales prices for the majority of species and a strengthening US dollar against the Canadian dollar had a $15.3 million net positive impact on sales and margins.

Adjusted earnings attributable to shareholders increased $8.5 million to $18.7 million for the third quarter of 2015 primarily a result of improvements in gross margin from strong sales prices for the majority of core species and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar. Refer to the Management Discussion and Analysis for a breakdown of the non-IFRS measure and the related earnings attributable to shareholders.

Strong operating cash flows were offset by the timing of seasonal investments in working capital in the third quarter of 2015. As a result free cash flows[1] declined $2.5 million from $6.2 million in the third quarter of 2014. The third quarter free cash flow results are in line with management's expectations and position the company well to generate strong annual free cash flows.

Year to date results

Clearwater reported sales of $339.4 million and adjusted EBITDA[1] of $70.7 million for the first nine months of 2015 versus 2014 comparative figures of $325.4 million and $61.5 million, reflecting growth in sales and adjusted EBITDA of 4.4% and 15%, respectively.

Gross margin as a percentage of sales improved from 22.4% in the first nine months of 2014 to 26.2% for the same period of 2015, due to strong demand, higher prices for the majority of species and favorable exchange rates as a strengthening US dollar against the Canadian dollar had a $19 million net positive impact on sales and gross margin. The improvement in gross margin was partially offset by higher harvesting and procurement costs per pound.

These positive market conditions were partially offset by lower available supply for scallops and clams which is consistent with the results for the third quarter of 2015.

Strong operating cash flows were offset by the timing of seasonal investments in working capital in the first nine months of 2015. As a result, free cash flows[1] declined $20.0 million from a use of cash of ($6.4) million in 2014 to a use of cash of ($26.4) million in 2015. The free cash flow results are in line with management's expectations and position the company well to generate strong annual free cash flows.

Adjusted earnings attributable to shareholders increased $11.7 million to $24.7 million in 2015 primarily as a result of strong sales prices for the majority of core species and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar. To assist users in understanding our earnings we have calculated adjusted earnings which exclude non-cash adjustments. Please refer to the Management Discussion and Analysis for a breakdown of the impact.

Earnings declined from $9.7 million to a loss of $16.9 million in 2015 as a result of an increase in non-cash unrealized foreign exchange losses from the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

Acquisition of Macduff

On October 30, 2015 Clearwater successfully completed its acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies for a purchase price of £94.4 million plus seasonal working capital debt.

This investment strengthens Clearwater's leading global market position in complementary premium wild seafood with an immediate 20% expansion of supply (approximately 15 million pounds) of high quality shellfish including scallops, langoustine, whelk and crab.

In addition, Macduff is positioned for growth in 2016. In June 2015 Macduff acquired an additional 4 scallop trawlers and licenses (bringing their fleet to 14 mid-shore scallop harvesting vessels) along with additional preferred procurement access in whelk. This recent investment along with additional organic growth are projected to help Macduff grow adjusted EBITDA another 25% to £11.5 million in fiscal 2016. Looking out further, management have identified further opportunities to invest that can enhance volume, revenue, margins and adjusted EBITDA.

Taking into account the purchase price of £94.4 million (which excludes seasonal working capital debt) and the pro-forma 2016 adjusted EBITDA of £11.5 million, management estimates the effective acquisition multiple on the transaction is approximately 8.2 times adjusted EBITDA. The transaction is expected to be accretive to adjusted EBITDA in 2016 by up to CAD $0.38 per share and adjusted earnings by up to CAD $0.17 per share.

Please refer to the Management Discussion and Analysis ("MD&A") for additional information including funding of the transaction.

Dividends

The Board of Directors approved and declared an increase in the quarterly dividend from CAD $0.04 per share to CAD $0.05 per share payable on December 15, 2015 to shareholders of record as of November 30, 2015.

In making the determination of dividend levels Clearwater's Board gives consideration to a number of key principles including:

- the expected future earnings;
- the amount of free cash flows that should be retained to reinvest in the business;

- the assurance that all obligations can be met with respect to existing loan agreements; and
- the desire for the dividend to increase in the future as the business continues to grow and expand.

The Board reviews dividends quarterly with a view to setting the appropriate dividend amount annually.

The Board will continue to review the policy on a regular basis to ensure the dividend level remains consistent with Clearwater's long term dividend policy.

These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favorable tax treatment applicable to such dividends.

Seasonality

Clearwater's business experiences a seasonal pattern in which sales, margins and adjusted EBITDA are lower in the first half of the year while investments in capital expenditures and working capital are typically higher resulting in lower free cash flows in the first half of the year and higher free cash flows in the second half of the year.

Results for both the third quarter and year to date period of 2015 are consistent with Management's expectations.

Outlook

Global demand for seafood is outpacing supply, creating favorable market dynamics for vertically integrated producers such as Clearwater which have strong resource access.

Demand has been driven by growing worldwide population, shifting consumer tastes towards healthier diets, and rising purchasing power of middle class consumers in emerging economies.

The supply of wild seafood is limited and is expected to continue to lag behind the growing global demand. This supply-demand imbalance has created a marketplace in which purchasers of seafood are increasingly willing to pay a premium to suppliers that can provide consistent quality and food safety, wide diversity and reliable delivery of premium, wild, sustainably harvested seafood.

As a vertically integrated seafood company, Clearwater is well positioned to take advantage of this opportunity because of its licenses, premium product quality, diversity of species, global sales footprint, and year-round harvest and delivery capability.

We are pleased with our year-to-date results for 2015 and expect that our five-year strategic plan goal of $100 million in adjusted EBITDA is now within our reach – one full year ahead of our original timetable.

“Strong global demand across all markets and species has been a key strength that has more than offset challenging harvest conditions in the first half of 2015. With our fourth quarter still ahead of us, exceptional market conditions and improving supply position, we remain confident in our full year outlook.

Looking forward, the acquisition of Macduff further strengthens our global market position by expanding our supply of premium wild shellfish by approximately 20%.

Our core strategies are:

- **Expanding Access to Supply** –
  We will continue to actively invest in access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

  The investment in Macduff in October 2015 provides Clearwater with access to approximately 28% of the United Kingdom’s s supply of king scallops and whelk. Macduff products include King and Queen scallops, langoustines, brown crab and whelk and overall provides access on an annual basis to approximately 15 million pounds of premium, wild caught, safe, traceable and complementary shellfish species.

  In addition in late July 2015 Clearwater completed the launch of its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, this vessel is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round. The vessel completed fishing trials and initial trips in the third quarter of 2015 and has joined Clearwater’s fleet in the fourth quarter. Management expects that once the vessel has reached full operational capacity in 2016/2017 it could increase annual clam sales by up to 50% (as compared to 2014 annual sales).

- **Target Profitable & Growing Markets, Channels & Customers** - We continue to benefit from strong and increasing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2015, we will continue to segment and target markets, consumers, channels and customers on the basis of size, profitability, demand for eco-label seafood and ability to win. Our focus is to win in key channels and with customers that are winning with consumers.

Macduff provides Clearwater enhanced access to key distribution channels including food service and grocery retail in multiple markets including the UK, France, Italy, Spain and Portugal.

- **Innovate and Position Products to Deliver Superior Customer Satisfaction and Value** – We continue to work with customers on new product forms. We will continue to innovate and position our premium seafood to deliver superior satisfaction and value that's relevantly differentiated on the dimensions of taste, quality, safety, sustainability, wellness and convenience.

  In addition there are opportunities to expand the distribution of Macduff products with Clearwater providing expanded market and customer service/access as well as sales and marketing strength in North America and Asia, especially Japan and China.

- **Increase Margins by Improving Price Realization and Cost Management** - In 2015 we began to implement our first "ocean to shelf" global supply chain. We have ambitious expectations to drive top and bottom line growth, capturing savings in global supply chain efficiencies and improved productivity. This will include leveraging the scarcity of seafood supply versus increasing global demand to continuously improve price realization, revenue and margins. It also includes investing in innovative state-of-the-art technology, systems and processes that maximize value, minimize cost, reduce waste, increase yield and improve quality, reliability and safety of our products and people.

  The Macduff investment expands Clearwater's North Atlantic harvesting operations and provides integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland.

- **Pursue and Preserve the Long Term Sustainability of Resources on Land and Sea** - As a leading global supplier of wild-harvested seafood – sustainability remains at the core of our business and our mission. Investing in the long-term health and the responsible harvesting of the oceans and the bounty is every harvester's responsibility and the only proven way to ensure access to a reliable, stable and long-term supply of seafood. Sustainability is not just good business, like innovation it's in our DNA. That's why Clearwater has been recognized by the Marine Stewardship Council ("MSC") as a leader in sustainable harvesting for wild fisheries and how Clearwater can offer the widest selection of sustainably-certified species of any seafood harvester worldwide. In October 2015 Clearwater received an award from ESRI Canada, for our commitment to sustainable business practices through the use of our geographic information system ("GIS"), which allows us to reduce our impact on the ocean floor and more efficiently conduct our harvest operations.

Clearwater will continue to invest in science and sustainable harvesting technology and practices to add value to all fisheries in which we participate in Canada, Argentina and the United Kingdom.

- **Build Organizational Capability, Capacity & Engagement -** A high level of performance can only be achieved by a talented and engaged global workforce at sea and on land, employing well communicated strategies and plans with measurable objectives. It also requires an enduring commitment to invest in our people.

  Macduff creates a new growth platform for Clearwater that will complement our robust organic growth plans. Having grown rapidly over the past four years, Macduff is the fishing company best positioned to lead and benefit from future investment in the European Union and it has identified multiple opportunities to fuel such growth. This growth will provide opportunities to invest and, develop and engage our entire workforce.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
November 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 13, 2015.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated ("Clearwater") have reviewed and approved the contents of this MD&A, the financial statements and the 2015 third quarter news release.

This MD&A should be read in conjunction with the third quarter 2015 Financial Statements, the 2014 annual Financial Statements, the 2014 annual MD&A and the 2014 Annual Information Form, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This report may contain "forward-looking information" as defined in applicable Canadian securities legislation. All statements other than statements of historical fact, including, without limitation, statements regarding future plans and objectives of Clearwater, constitute forward-looking information that involve various known and unknown risks, uncertainties, and other factors outside management's control.

Forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs.

There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such forward-looking information.

In addition, this report contains forward-looking information relating to Clearwater's acquisition of Macduff Shellfish Group Limited ("Macduff"), financing of the acquisition, enhancement of Clearwater's scale of operations and accelerated growth, as well as expectations regarding sales, adjusted EBITDA, adjusted earnings and leverage. This forward-looking information is based on a number of factors and assumptions which have been used to develop such information but which may prove to be incorrect including, but not limited to, Clearwater's ability to successfully integrate or grow the business of Macduff as planned, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in such forward-looking information. Risk factors that could cause actual results to differ materially from those indicated by forward-looking information contained in this press release include risks and uncertainties related to: (i) diversion of management time and attention on the acquisition, (ii) any disruption from the acquisition affecting relationships with customers, employees or suppliers, (iii) the timing and extent of changes in interest rates, prices and demand, and (iv) economic conditions and related uncertainties.

For additional information with respect to risk factors applicable to Clearwater, reference should be made to Clearwater's continuous disclosure materials filed from time to time with securities regulators, including, but not limited to, Clearwater's Annual Information Form.

The forward-looking information contained in this report is made as of the date of this release and Clearwater does not undertake to update publicly or revise the forward-looking information contained in this report, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

No regulatory authority has approved or disapproved the adequacy or accuracy of this report.

Non-IFRS Measures

This MD&A makes reference to several non-IFRS measures to supplement the analysis of Clearwater's results. These measures are provided to enhance the reader's understanding of our current financial performance. They are included to provide investors and management with an alternative method for assessing our operating results in a manner that is focused on the performance of our ongoing operations and to provide a consistent basis for comparison between periods. These non-IFRS measures are not recognized measures under IFRS, and therefore they may not be comparable to similar measures presented by other companies.

Management believes that in addition to sales, net earnings and cash provided by operating activities, these non-IFRS measures are useful terms from which to determine Clearwater's ability to generate cash for investment in working capital, capital expenditures, debt service, income tax and dividends.

These non-IFRS measures include gross margin, adjusted EBITDA, free cash flow, leverage, adjusted earnings and return on assets. Refer to non-IFRS measures, definitions and reconciliations for further information.

CLEARWATER OVERVIEW

Leading Global Provider of Wild-Caught Shellfish

Clearwater is North America's largest, publicly listed, vertically integrated harvester, processor and distributor of premium shellfish. Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labeled seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish with more than 81 million pounds sold in 2014 and 2013.

Powerful Industry Fundamentals

Global demand for premium wild caught seafood among aging boomers and a rising middle class in the Asian-Pacific region is outpacing resource supply. This, in combination with conservatively managing seafood fisheries to protect the long term health of the industry, is creating new opportunities from the rising demand for high-quality sustainable seafood.

Clearwater's vertical integration creates barriers to entry and sustainable competitive advantage

Clearwater is the largest, publicly listed, holder of shellfish quotas and licenses within Canada and maintains the widest selection of MSC-certified species of any shellfish harvester worldwide. These quotas are a key barrier to entry as regulatory authorities strictly control access and infrequently grant new licenses. In addition, the financial resources required to acquire and harvest fishing quotas create barriers to entry. Clearwater's fleet, quotas and licenses have an estimated value in excess of $600 million.

Clearwater has a number of other competitive advantages including our innovations and intellectual property such as state-of-the-art factory vessels and advanced onshore processing, storage and distribution capabilities.

Clearwater maintains a global, direct sales force that is capable of interacting with and selling directly to diverse markets worldwide. Our channel mix in food service, retail and other food industries ensures a diverse community of customers and in addition, we have a diverse customer mix with no single customer representing more than 6% of total sales.

Proven and Experienced Leadership Team

Clearwater continues to build upon our world class leadership with best in class programs for quality control and food safety, operations and new product development. In addition over the past few years Clearwater has added a number of key personnel to complement its existing team to continue to support strong financial and operational growth.

YEAR TO DATE 2015 FINANCIAL ACHIEVEMENTS

We are pleased with our results for the first nine months of 2015. Strong global demand across virtually all markets and species has been a key strength that has more than offset challenging harvest conditions in the first half of 2015. With our fourth quarter still ahead of us, exceptional market conditions and improving supply position, we remain confident in our full year outlook.

Clearwater reported record sales and adjusted EBITDA[1] for the first nine months of 2015 of $339.4 million and $70.7 million, respectively versus 2014 comparative figures of $325.2 million and $61.5 million, reflecting growth in sales of 4.4% and 15% for adjusted EBITDA, primarily a result of an improvement in gross margin.

For the first nine months of 2015 gross margin improved by $16.1 million in comparison to the same period in 2014 increasing as a percentage of sales from 22.4% in 2014 to 26.2% in 2015.

The growth in gross margin was driven by higher sales prices for the majority of species as well as a $19.0 million positive impact from foreign exchange[2] as average rates for the US dollar were higher in the first nine months of 2015. The positive impact from foreign exchange on gross margin was partially offset by higher harvesting costs for scallops, higher procurement costs for scallops, lobster, snow crab and shrimp and a reduction in available supply for scallops.

Harvest costs and sales volumes were negatively impacted by challenging weather conditions both at sea and on land during the first half of 2015. The impact of these weather conditions was to delay harvesting operations and scheduled vessel maintenance for our clam and scallop fleets. In addition, unscheduled vessel maintenance on one of clam vessels, expected reductions in the total allowable catch for the year for sea scallops and delays in harvesting with a new Argentine scallop vessel contributed to the decline in available supply.

Strong operating cash flows were offset by planned investments in working capital in 2015. As a result, free cash flows[1] declined $20.0 million from a use of cash of ($6.4) million in 2014 to a use cash of ($26.4) million in 2015. The year-to-date free cash flow results are in line with management's expectations and position the Company well to generate strong annual free cash flows.

On October 30, 2015, Clearwater successfully completed the acquisition of Macduff Shellfish Group, one of Europe's leading wild shellfish companies.

Taking into account the purchase price of £94.4 million (which excludes seasonal working capital debt) and the pro-forma 2016 adjusted EBITDA of £11.5 million, management estimates the effective acquisition multiple on the transaction is approximately 8.2 times adjusted EBITDA. The transaction is expected to be accretive to adjusted EBITDA in 2016 by up to CAD $0.38 per share and adjusted earnings by up to CAD $0.17 per share.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations
2 – Refer to discussion on risks and uncertainties

This investment strengthens Clearwater's leading global market position in complementary premium wild seafood with an immediate 20% expansion of supply (approximately 15 million lbs) of high quality shellfish including; scallops, langoustine, whelk and crab.

Macduff is positioned for growth in 2016. In June 2015 Macduff acquired an additional 4 scallop trawlers and licenses (bringing their fleet to 14 mid-shore scallop harvesting vessels) along with additional preferred procurement access in complementary shellfish species (i.e. whelk). This recent investment along with additional organic growth are projected to help Macduff grow adjusted EBITDA[1] another 25% to £11.5 million in fiscal 2016. Looking out further, management have identified further opportunities to invest that can further enhance volume, revenue, margins and adjusted EBITDA.

In late July 2015 Clearwater successfully launched its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, this vessel is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round. The vessel completed fishing trials and initial trips in the third quarter of 2015 and has joined Clearwater's fleet in the fourth quarter. Management forecasts that once the vessel has reached full operational capacity in 2016/2017 it is expected to increase annual clam sales by up to 50% (as compared to 2014 annual sales).

We continue our progress through 2015 with the expectation that the five-year strategic plan goal of $100 million in adjusted EBITDA that we set out to accomplish is now within our reach – one full year ahead of our original timetable.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

2 – Refer to discussion on risks and uncertainties

KEY PERFORAMNCE INDICATORS

In 000's of Canadian dollars 12 months rolling	October 3 2015	September 27 2014	September 28 2013
Profitability:			
Adjusted EBITDA[1]	96,593	83,853	75,568
Adjusted EBITDA (as a % of sales)	21.0%	19.2%	20.4%
Sales	458,940	436,254	370,592
Sales growth	5.2%	17.7%	7.6%
Financial Performance			
Free cash flows[1]	10,843	32,371	25,199
Leverage[1]	3.9	3.6	3.9
Returns:			
Return on assets[1]	12.4%	12.9%	12.5%

Adjusted EBITDA for the rolling twelve months ended October 3, 2015 increased $12.7 million, or 15.2%, to $96.6 million as compared to the same period in 2014, as a result of strong sales prices for the majority of species in 2015. In addition, strengthening foreign exchange rates[2] positively impacted sales, margins and adjusted EBITDA as the US dollar strengthened against the Canadian dollar.

Sales growth for the rolling twelve months ended October 3, 2015 increased $22.7 million as compared to the same period in 2014 due primarily as a result of strong sales prices and higher average foreign exchange rates. Lower inventory levels from the end of 2014, poor weather conditions that delayed planned refits for both clams and scallops and unscheduled repairs for clams in 2015 reduced the amount of inventory available for sale and partially offset the increase in sales. In addition delays in the implementation of the new Argentine scallop vessel also contributed to the reduction in available inventory.

Free cash flows for the rolling twelve months ended October 3, 2015 declined $21.5 million to $10.8 million due primarily to timing of investments in working capital including accounts receivable and inventory. In addition higher capital investments (net of designated borrowings) contributed to the decrease in free cash flow.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations
2 – Refer to discussion on risks and uncertainties

Leverage increased to 3.9 times adjusted EBITDA as of October 3, 2015 as a result of seasonality, higher capital expenditures and the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015. During the quarter Clearwater swapped out USD $75 million of its Term Loan B debt so as to lower the impact of changes in exchange rates on its leverage in the future.

With the acquisition of Macduff, on October 30, 2015, pro-forma leverage is approximately 5.3x adjusted EBITDA but is expected to decline to below 4.5x by December 31, 2015 and below 4.0x by December 31, 2016 when Clearwater and Macduff see the full realization of recent investments and organic growth. As a result, management expects to operate above its leverage target of 3.0x with the intention of returning to this goal over the course of two to three years.

Clearwater's business experiences a seasonal pattern in which sales, margins and adjusted EBITDA are lower in the first half of the year while investments in capital expenditures and working capital are typically higher resulting in lower free cash flows in the first half of the year and higher free cash flows in the second half of the year.

EXPLANATION OF YEAR TO DATE 2015 RESULTS

Overview

The statements reflect the results of Clearwater for the 39 weeks ended October 3, 2015 and September 27, 2014:

In 000's of Canadian dollars Unaudited	October 3 2015	September 27 2014
Sales	$ 339,442	$ 325,244
Cost of goods sold	250,354	252,260
Gross margin	89,088	72,984
	26.2%	22.4%
Administrative and selling	34,511	35,248
Finance costs	43,102	22,440
Losses on contract derivatives	24,077	3,113
Other costs (income)	591	(3,410)
Research and development	1,159	1,377
	103,440	58,768
(Loss) earnings before income taxes	(14,352)	14,216
Income tax expense	2,527	4,548
(Loss) earnings	$ (16,879)	$ 9,668
(Loss) earnings attributable to:		
Non-controlling interests	$ 13,670	$ 8,585
Shareholders of Clearwater	(30,549)	1,083
	$ (16,879)	$ 9,668

Year to date 2015 Results

Clearwater reported record sales and adjusted EBITDA[1] for the first nine months of 2015 of $339.4 million and $70.7 million, respectively versus 2014 comparative figures of $325.2 million and $61.5 million, reflecting growth in sales of 4.4% and 15% for adjusted EBITDA, primarily a result of an improvement in gross margin.

For the first nine months of 2015, gross margin improved by $16.1 million in comparison to the same period in 2014 increasing as a percentage of sales from 22.4% in 2014 to 26.2% in 2015.

The growth in gross margin was driven from strong sales prices for the majority of species as well as a $19.0 million positive impact from foreign exchange[2] as average rates for the US dollar were higher than in 2014. The positive impact from foreign exchange on gross margin was partially offset by higher harvesting costs for scallops, higher procurement costs for scallops, lobster, snow crab and shrimp and a reduction in available supply for scallops.

Harvest costs and sales volumes were negatively impacted by challenging weather conditions both at sea and on land during the first half of 2015. The impact of these weather conditions was to delay harvesting operations and scheduled vessel maintenance for our clam and scallop fleets. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

Administrative and selling costs declined $0.7 million as a result of a $3.8 million decrease in non-cash share-based incentive compensation resulting from reductions in Clearwater's stock price at the end of the third quarter of 2015 and a decline in outstanding grants.

Strong operating cash flows were offset by planned investments in working capital in 2015. As a result, free cash flows[1] declined $20.0 million from a use of cash of ($6.4) million in 2014 to a use cash of ($26.4) million in 2015. The year-to-date free cash flow results are in line with management's expectations and position the company well to generate strong annual free cash flows.

Higher non-operational losses of $38.7 million (refer to the following table), were primarily a result of an increase in non-cash unrealized foreign exchange losses from the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations
2 – Refer to discussion on risks and uncertainties

In 000's of Canadian dollars 39 weeks ended	October 3 2015	September 27 2014	Change
(Loss) earnings	$ (16,879)	$ 9,668	$ (26,547)
Explanation of changes in net earnings related to operations:			
Higher realized foreign exchange losses for forward contracts net of higher gains on working capital			2,579
Higher gross margin			16,104
Higher interest expense			(3,105)
Lower administrative and selling			737
			16,315
Explanation of changes in (loss) earnings related to non-operational items:			
Higher unrealized foreign exchange losses on debt, other assets and derivatives			(39,681)
Lower deferred income tax expense			2,443
Higher fair value loss adjustments on embedded derivative			(1,419)
			(38,657)
All other			(4,205)
			$ (26,547)

Sales by region

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014		Change	%
China	$	62,728	$	52,105	$	10,623	20.4
Japan		49,193		41,784		7,409	17.7
Other Asia		12,261		10,394		1,867	18.0
Asia		124,182		104,283		19,899	19.1
Europe		108,640		104,400		4,240	4.1
United States		59,403		65,696		(6,293)	(9.6)
Canada		45,897		49,073		(3,176)	(6.5)
North America		105,300		114,769		(9,469)	(8.3)
Other		1,320		1,792		(472)	(26.3)
	$	339,442	$	325,244	$	14,198	4.4

China

China is an important market for clams, coldwater shrimp, lobster, turbot and scallops.

Sales to customers in China increased $10.6 million or 20.4%, to $62.7 million for the first nine months of 2015 primarily due to strong demand that increased sales prices for clams, scallops and shrimp and higher average foreign exchange rates.

Sales in China are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar for the first nine months of 2015 contributing to the increase in sales by $8.9 million as average foreign exchange rates for the US dollar strengthened against the Canadian dollar by 16.7% to 1.275 in 2015.

Changes in product mix for clams and lobster that was weighted towards products with higher sales prices also contributed to the increase in sales.

Sales were partially offset by a reduction in sales volumes from lower available supply for clams and shrimp. Lower inventory levels from the end of 2014, difficult weather conditions and unscheduled repairs and maintenance to one vessel reduced the available supply for clams in 2015.

Japan

Japan is an important market for clams, lobster, coldwater shrimp and turbot.

Sales to customers in Japan increased $7.4 million or 17.7%, to $49.2 million primarily as a result of strong demand for shrimp and turbot that increased sales volumes and prices.

Higher sales prices for clams and changes in sales mix for lobster that was weighted towards products with higher sales prices also contributed to the increase in sales.

Reductions in available supply for clams and changes in sales mix weighted towards products with lower sales prices for clams partially offset the increase in sales.

Other Asia

The other Asia region includes Korea, Taiwan, Singapore and other Asian countries. These Asian countries are an important market for clams, shrimp and turbot.

Sales in this region increased $1.9 million to $12.3 million for the first nine months of 2015 in comparison to the same period in 2014 primarily as a result of strong market demand that increase sales prices for scallops and clams and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar.

Sales were positively impacted by $1.6 million in 2015 due to higher average foreign exchange[1] rates for the US dollar. Average foreign exchange rates for the US dollar increased by 16.7% to 1.275 in 2015.

Changes in sales mix weighted towards products with higher sales prices for clams contributed to the increase in sales.

Europe

Europe is Clearwater's largest scallop market and it is an important market for coldwater shrimp and lobster products.

European sales for the first nine months of 2015 increased $4.2 million as compared to the same period in 2014 as a result of higher sales volumes for lobster and strong market demand that improved sales prices for scallops and shrimp.

Changes in sales mix for lobster that was weighted towards products with higher sales prices also contributed to the increase in sales.

Lower available supply for scallops and shrimp and timing of landings for turbot reduced sales volumes and lower average foreign exchange rates, as the Canadian dollar strengthened against the GBP in 2015, partially offsetting the increase in sales.

1 – Refer to discussion on risks and uncertainties

The reduction in available supply for sea scallops was primarily a result of difficult weather conditions in the first half of 2015 and timing as one vessel was on a planned refit in the first quarter of 2015. In addition reductions in available total allowable catch for the year for sea scallops reduced available supply.

Lower catch rates for Argentine scallops in 2015 and changes in sales regions for shrimp to higher yielding markets contributed to the reduction in available supply.

Sales, which were primarily transacted in the Euro, GBP and DKK for 2015 were negatively impacted by lower average foreign exchange rates of approximately $2.6 million. The Euro declined 4.5% relative to the Canadian dollar from 1.477 for the first nine months of 2014 to 1.410 in the same period in 2015, and the Danish Kroner declined 4.0% to 0.190 for 2015.

United States

The United States is an important market for scallops, coldwater shrimp, lobster and clams. It is our most diverse market, where a wide variety of products are sold.

Sales in the United States decreased $6.3 million to $59.4 million in the first nine months of 2015 in comparison to the same period in 2014, as a result of a reduction in sales volumes for sea scallops, snow crab and shrimp.

Sales volumes for sea scallops and snow crab declined in 2015 due to a reduction in inventory available for sale.

The reduction in available supply for sea scallops was primarily a result of difficult weather conditions in the first half of 2015 and one vessel on a planned refit in the first quarter of 2015. In addition expected reductions in total allowable catch for the year for sea scallops reduced available supply. The poor weather conditions also delayed the snow crab fishing season.

The decline in sales volumes for scallops was partially offset by an improvement in foreign exchange rates and strong demand that increased sales prices for clams.

Sales were positively impacted by $8.5 million for 2015 due to stronger foreign exchange rates as average rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 16.7% to 1.275 in 2015.

Canada

Canada is a large market for lobster, scallops and coldwater shrimp.

Sales within Canada declined $3.2 million, or 6.5% in the first nine months of 2015 primarily as a result of a reduction in sales volumes for sea scallops and snow crab.

1 – Refer to discussion on risks and uncertainties

Sales by species[1]

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014		Change	%
Scallops	$	102,149	$	122,420	$	(20,271)	(16.6)
Coldwater shrimp		72,638		62,295		10,343	16.6
Lobster		70,727		58,017		12,710	21.9
Clams		52,062		46,617		5,445	11.7
Crab		21,343		20,985		358	1.7
Ground fish and other		20,523		14,910		5,613	37.6
	$	339,442	$	325,244	$	14,198	4.4

Sales increased $14.2 million, for first nine months of 2015 versus the same period of 2014 primarily as a result of strong sales prices in home currencies for the majority of species and a $19.0 million positive impact from higher average foreign exchange rates for the US dollar.

The increase in foreign exchange rates was partially offset by a reduction in available supply for both sea and Argentine scallops. The reduction in available supply for sea scallops was primarily a result of difficult weather conditions in the first half of 2015 and one vessel on a planned refit in the first quarter of 2015, versus higher catch rates in the first half of 2014. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

1 – Refer to discussion on risks and uncertainties

Cost of Goods Sold

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014		Change	%
Harvesting and procurement	$	176,977	$	180,903	$	(3,926)	(2.2)
Manufacturing		29,499		27,571		1,928	7.0
Depreciation		20,203		17,656		2,547	14.4
Transportation		15,016		17,123		(2,107)	(12.3)
Administration		8,659		9,007		(348)	(3.9)
	$	250,354	$	252,260	$	(1,906)	(0.8)

Cost of goods sold decreased $1.9 million or 0.8% to $250.4 million primarily as a result of a decline in sales volumes for scallops and a change in sales mix for clams that was weighted towards product with lower costs per pound.

The decline in sales volumes was a result of a reduction in available supply for both sea and Argentine scallops. The reduction in available supply for sea scallops was primarily a result of difficult weather conditions in the first half of 2015 and one vessel on a planned refit in the first quarter of 2015. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear, supplies, other costs and fees plus procured raw material costs for lobster, shrimp, scallops and crab.

Partially offsetting the decline in sales volumes was higher harvesting and procurement costs per pound in comparison to the first nine months of 2014. Higher harvesting costs per pound for 2015 were are a result of the lack of available supply that lowered catch rates for scallops. In addition higher procurement costs for sea scallops, lobster and shrimp increased costs per pound.

Fuel costs for our vessels declined $4.5 million in the first nine months of 2015 to $13.9 million as a result of a reduction in litres consumed for scallops and clams and lower costs of fuel/litre. Scheduled refits reduced our fishing effort for scallops and clams, and poor weather conditions delayed harvesting and refit work for most species in the first quarter of 2015. In addition timing of harvesting trips for clams and harvesting delays for the new Argentine scallop vessel contributed to the reduction in litres consumed. Finally the average price per litre of fuel declined by $0.13 per litre to an average of $0.75/litre for the first nine months of 2015 in comparison to the same period of 2014. Clearwater's vessels used approximately 28.4 million litres of fuel in annual 2014. Based on 2014 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.2 million.

Clearwater uses marine diesel in its harvesting operations, the price of which does not correlate closely to publically available measures such the price of a barrel of oil. This is due to a number of factors including but not limited to the nature of the fuel used, the geographic locations in which Clearwater purchases fuel and the currency in which Clearwater purchases fuel.

Manufacturing includes labour costs, packaging, plant utilities and supplies related to the production of goods. Labour costs increased $1.9 million for the first nine months of 2015 as a result of scheduled increases in wages, salaries and benefits.

Depreciation from assets used in the harvesting and production of goods increased $2.5 million to $20.2 million as a result of vessel refits and investments in plants and vessels that were completed during the last half of 2014 and in 2015.

Transportation costs include freight, customs and duties related to the transfer of goods to market. Transportation costs decreased $2.1 million as a direct result of the decline in sales volumes during the first nine months of 2015.

Administrative overheads include salaries and benefits, professional and consulting fees and management fees attributable to the harvesting and production of goods. Refer to administrative and selling for further information.

Gross margin

Gross margin as a percentage of sales increased 3.8 basis points to 26.2% for the first nine months of 2015 from the same period of 2014 resulting from a combination of strong market demand that increased sales prices for the majority of species and a strengthening US dollar versus the Canadian dollar[1].

Higher harvesting costs per pound for 2015 for scallops from lower catch rates and higher procurement costs for sea scallops, lobster and shrimp partially offset the increase in gross margin.

The net impact on sales from changes in foreign exchange rates was an increase in sales and gross margins of $19.0 million.

39 weeks ended	October 3, 2015		September 27, 2014		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	46.1%	1.275	49.2%	1.093	16.7%
Euros	19.0%	1.410	19.9%	1.477	-4.5%
Japanese Yen	10.6%	0.011	9.8%	0.011	0.0%
Danish Kroner	6.6%	0.190	3.4%	0.198	-4.0%
UK pounds	4.8%	1.967	4.1%	1.822	8.0%
Canadian dollar and other	12.9%		13.6%		
	100.0%		100.0%		

1 – Refer to discussion on risks and uncertainties

Administrative and selling

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014		Change	%
Salaries and benefits	$	24,297	$	22,116	$	2,181	9.9
Share-based incentive compensation		2,265		6,020		(3,755)	(62.4)
Employee compensation		26,562		28,136		(1,574)	(5.6)
Consulting and professional fees		6,070		4,701		1,369	29.1
Other		3,657		2,782		875	31.5
Reorganization costs		2,007		3,685		(1,678)	(45.5)
Selling costs		1,995		2,341		(346)	(14.8)
Travel		1,909		1,665		244	14.7
Occupancy		1,097		1,007		90	8.9
Allocation to cost of goods sold		(8,786)		(9,069)		283	(3.1)
	$	34,511	$	35,248	$	(737)	(2.1)

Administrative and selling decreased $0.7 million, or 2.1%, to $34.5 million for the first nine months of 2015 in comparison to the same period of 2014 primarily as a result of a reduction in share-based incentive compensation, partially offset by an increase in salaries and benefits.

Salaries and benefits increased $2.2 million primarily as a result of new hires in senior management and other staff as well as higher compensation and benefit costs.

Share-based incentive compensation is primarily driven by changes in Clearwater's share price, performance against Clearwater's peer group and the number of outstanding share based grants outstanding.

Share based compensation expense decreased $3.8 million primarily as a result of a decrease in Clearwater's share price in the third quarter of 2015. In addition, the number of share based grants outstanding at the end of the third quarter 2015 versus the third quarter of 2014 declined as the service period for one of the tranches was completed and cash settled for approximately $9.0 million in the first quarter of 2015.

Consulting and professional fees include operations management, legal, audit and accounting, insurance and other specialized consulting services. Costs increased $1.4 million in 2015 as a result of higher consulting fees from changes to Clearwater's network infrastructure and costs related to our Enterprise Resource Planning system ("ERP") conversion.

Reorganizational costs for 2015 included a provision for severance related to certain executives and long term employees affected by reorganization at our head office. The expenditures in 2014 relates primarily to a write down on goodwill associated to non-core species.

Selling costs include advertising, marketing, trade shows, samples, product development and bad debt expenses.

The allocation to cost of goods sold reflects costs that are attributable to the production of goods and are allocated on a proportionate basis based on production volumes.

Finance costs

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014
Interest and bank charges	$	13,536	$	10,650
Amortization of deferred financing charges and accretion		793		574
		14,329		11,224
Fair value adjustment on embedded derivative		642		(777)
Foreign exchange on debt and working capital		28,031		11,893
Debt settlement and refinancing fees		100		100
	$	43,102	$	22,440

Interest and bank charges increased $3.1 million for the first nine months of 2015 as compared to the same period in 2014 due to higher exchange rates on the US dollar denominated debt, which in turn increased interest expense when converted into Canadian dollars. Clearwater had approximately USD $200 million US dollar denominated debt outstanding as at October 3, 2015.

The **fair value adjustment on the embedded derivatives** on Term Loan B relates to a Libor floor provision in the loan agreement and the earnings impact represents the change in the estimated fair values.

Foreign exchange[1] on debt and working capital

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014
Realized (gain) loss				
Working capital and other	$	(5,590)	$	1,306
Unrealized loss				
Foreign exchange on long term debt and working capital		33,621		10,587
	$	28,031	$	11,893

Foreign exchange losses on debt and working capital increased by $16.1 million to $28.0 million in the first nine months of 2015 in comparison to the same period in 2014. The increase was a result of higher unrealized foreign exchange losses on the translation of the $200 US dollar denominated debt as foreign exchange rates for the US dollar strengthened 14% against the Canadian dollar from December 2014.

The realized foreign exchange gain from working capital in 2015 is primarily a result of higher foreign exchange rates realized on net US dollar working capital assets as the US dollar strengthened against the Canadian dollar in 2015.

1 – Refer to discussion on risks and uncertainties

Losses[1] on contract derivatives

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014
Realized loss				
Forward foreign exchange contracts	$	11,252	$	6,935
Unrealized loss (gain)				
Forward foreign exchange contracts		8,061		(5,062)
Interest rate swaps and caps		4,764		1,240
		12,825		(3,822)
	$	24,077	$	3,113

Losses on contract derivatives increased $21.0 million to $24.1 million for the first nine months of 2015.

The increase of $4.3 million in realized losses on foreign exchange contracts was primarily a result of US dollar contracts for which the contracted rates were lower than the spot rate for 2015 as the US dollar strengthened by approximately 18% versus the Canadian dollar in 2015.

The increase in unrealized loss on foreign exchange contracts of $13.1 million was primarily a result of Euro and Yen contracts for which the contracted rates were less than the spot rate in 2015, as the Euro strengthened against the Canadian dollar whereas the Canadian dollar had strengthened against the Euro in the same period for 2014.

The increase in unrealized loss on interest rate swaps and caps was primarily a result of an increase in non-cash mark to market losses on USD $100 million and Canadian $24 million of interest rate swaps/caps that were entered into in the first quarter of 2014 and the third quarter of 2014 and changes in relative expected future interest rates. In addition in the third quarter of 2015, Clearwater entered into a cross currency swap whereby USD $75 million was swapped into CAD at a fixed rate of 1.32 and a maturity date of June 26, 2018.

Clearwater's foreign exchange hedging program is designed to enable Clearwater to remove uncertainty regarding exchange rates on sales receipts by locking in up to 75% of annual net foreign exchange exposure. Clearwater does this by entering into a series of foreign exchange contracts that mature throughout the fiscal year and that provide for a fixed exchange rate on a portion of sales receipts. In a rising exchange rate environment such as the one we are currently in where spot rates are higher than contract rates, Clearwater realizes higher exchange rates on sales but it is required to remit the excess of the spot rate received on sales receipts over the contract rate to the counterparty on the portion of sales that it has hedged.

1 – Refer to discussion on risks and uncertainties

Currently Clearwater does not apply hedge accounting and as a result unrealized gains and losses were recorded in earnings for differences between the contracted rate and the spot rate.

Should the current environment of a stronger US dollar versus the Canadian dollar persist[1] it would have a positive impact on sales but the hedging program would offset a portion of those gains and reduce the positive impact on adjusted EBITDA. However, looking forward to 2016, Clearwater would realize the benefit of such higher rates as hedging contracts that it is entering now are at rates closer to current spot rates.

Other income

In 000's of Canadian dollars 39 weeks ended		October 3 2015		September 27 2014
Royalties, interest and other fees	$	(523)	$	(678)
Share of earnings of equity-accounted investee		(1,968)		(2,373)
Other fees (income)		3,082		(359)
	$	591	$	(3,410)

Royalties, interest and other fees includes income related to quota rental, commissions, processing fees and other miscellaneous income and expense that vary based upon the operations of the business.

Other earnings for Clearwater's share of earnings for the equity investee declined $0.4 million in 2015 as a result of difficult weather conditions that reduced harvesting opportunities in the first quarter of 2015 for sea scallops.

In addition other fees which increased $3.4 million from 2014 primarily due to due diligence and other project costs related to the investment in Macduff Shellfish Group Limited.

Research and Development

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed. Clearwater's business plans expect an increase in investment in research and development.

Income taxes

Income taxes primarily relate to taxable subsidiaries in Argentina, the United States, the United Kingdom and Canada.

Deferred tax assets are being recognized based on management's estimate that it is more likely than not that Clearwater will earn sufficient taxable profit to utilize these losses.

1 – Refer to discussion on risks and uncertainties

Earnings attributable to non-controlling interest

Non-controlling interest relates to minority share of earnings from Clearwater's majority investments in subsidiaries in Argentina and Newfoundland and Labrador.

The increase in earnings attributable to non-controlling interest of $5.1 million for the first nine months of 2015 relates primarily to strong market demand that increased sales prices for shrimp as well as higher average foreign exchange rates.

It is important to note that the earnings attributable to non-controlling interest relates to Clearwater's interests in partnerships and as such taxes are included in earnings attributable to shareholders, whereas the earnings attributable to non-controlling interest are not tax effected.

For those investors that would like to understand the breakdown of adjusted EBITDA attributable to non-controlling interest and shareholders please refer to the reconciliation of adjusted EBITDA within the non-IFRS measures, definitions and reconciliations section of the MD&A.

Earnings attributable to shareholders

Earnings attributable to shareholders of Clearwater declined $31.6 million to a loss of $30.5 million for the first nine months of 2015 primarily as a result of an increase in non-cash adjustments for unrealized foreign exchange loss for the US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

Adjusted Earnings attributable to shareholders

To assist readers in estimating our earnings we have included a calculation of adjusted earnings. Management believes that in addition to earnings and cash provided by operating activities, adjusted earnings is a useful supplemental measure from which to determine Clearwater's earnings from operations and ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

For those readers that would like to understand the calculation of adjusted earnings please refer to the reconciliation of adjusted earnings within the non-IFRS measures, definitions and reconciliations section of the MD&A.

Adjusted earnings attributable to shareholders increased $11.7 million to $24.7 million in 2015 primarily a result of improvements in gross margin from strong sales prices for the majority of core species and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar.

CAPITAL STRUCTURE

Clearwater's capital structure includes a combination of equity and various types of debt facilities. Clearwater's objective when managing its capital structure is to obtain the lowest cost of capital available, while maintaining flexibility and reducing exchange risk by borrowing when appropriate in currencies other than the Canadian dollar as well as reducing interest rate risk by fixing a portion of the interest rates on its debt.

Clearwater uses leverage, in particular revolving and term debt to lower its cost of capital.

The amount of debt available to Clearwater under its lending facilities is a function of Adjusted EBITDA[1] less net earnings attributable to minority interest. Adjusted EBITDA can be impacted by known and unknown risks, uncertainties, and other factors outside Clearwater's control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs.

Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts and multi-year business plans and making any required changes to its debt and equity facilities on a proactive basis. These changes can include early repayment of debt, issuing or repurchasing shares, issuing new debt or equity, utilizing surplus cash, extending the term of existing debt facilities and, selling surplus assets to repay debt.

Clearwater's capital structure was as follows as at October 3, 2015 and December 31, 2014:

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

In 000's of Canadian dollars As at		October 3 2015		December 31 2014
Equity				
Common shares	$	155,895	$	97,267
Contributed surplus		363		-
Retained earnings (deficit)		(26,262)		11,084
Cumulative translation account		(5,064)		(5,326)
		124,932		103,025
Non-controlling interest		28,418		24,962
	$	153,350	$	127,987
Long term debt				
Senior debt, non-amortizing				
Term loan, due in 2015		13,200		11,595
Term loan, due in 2091		3,500		3,500
	$	16,700	$	15,095
Senior debt, amortizing				
Term Loan A, due 2018		27,259		28,950
Delayed Draw term Loan A, due 2018 (net of deferred financing charges of $0.6 million)		28,979		(608)
Term Loan B, due 2019 (including the embedded derivative)		251,417		228,211
Marine mortgage, due in 2017		439		1,030
Multi-currency revolving facility		-		21
Other loans		294		342
		308,388		257,946
Total long term debt		325,088		273,041
Total capital	$	478,438	$	401,028

There are 59,958,998 shares outstanding as of October 3, 2015 (December 31, 2014 - 54,978,098).

On June 30, 2015, Clearwater issued 3,755,900 shares on a bought deal basis at $12.25 per Share yielding gross proceeds of approximately $46 million. Concurrently, Clearwater completed a non-brokered private placement with certain existing shareholders for 1,225,000 shares at $12.25 per share for gross proceeds of approximately $15 million. The total gross proceeds from the offering of approximately $61 million and the proceeds net of expenses were $58.6 million.

This followed a share issuance completed in February 2014 in which Clearwater completed the issuance of 4,029,400 common shares at a price of $8.50 per share, for gross proceeds of approximately $34 million.

Long term debt consists of a revolving loan and non-amortizing and amortizing senior debt:

- The revolving loan allows Clearwater to borrow a maximum of CDN $75.0 million (increased to CDN $100 million in late October 2015) (denominated in either Canadian or the US dollar equivalent) and it matures in June 2018. The balance was $nil at October 3, 2015 (December 31, 2014 - $nil). The CDN balances bear interest at the banker's acceptance rate plus 3.25%. The USD balances bear interest at the US Libor rate plus 3.25%. The availability on this loan is reduced by the amount outstanding on a US $10 million non-amortizing term loan and as such the availability as at October 3, 2015 was $61.8 million (December 31, 2014 - $63.4 million).

- Non-amortizing debt consists of a US $10 million loan due in June 2016 and a CAD $3.5 million loan due in 2091.

  During the third quarter of 2013 Clearwater's Argentine subsidiary borrowed USD $10.0 million, as an annual renewable loan to fund conversion of a vessel for use in the Argentine scallop fishery. The loan has been renewed twice, bears interest at 8% per year with interest payable monthly and the principal is due at maturity in June 2016.

- Amortizing debt consists of a term loan A, a delayed draw term loan A and a term loan B.

  The term loan A has principal outstanding as at October 3, 2015 of CDN $27.3 million (December 31, 2014 – CDN $29.0 million). The loan is repayable in quarterly instalments of $0.4 million from September 2015 to June 2017, and $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at October 3, 2015 this resulted in an effective rate of approximately 3.99%.

  The delayed draw term loan A, has a principal outstanding as at October 3, 2015 of CDN $29.0 million (December 31, 2014 - $ nil). The balance is shown net of deferred financing charges of CDN $0.6 million. The loan is repayable in quarterly instalments of 1.25% of the principal amount drawn under the facility. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%.

  The term loan B has principal outstanding as at October 3, 2015 of USD $190.3 million (December 31, 2014 – USD $196.8 million). The loan is repayable in quarterly instalments of USD $0.5 million with the balance due at maturity in June 2019. It bears interest payable monthly at US Libor plus 3.5% with a Libor interest rate floor of 1.25%. As of October 3, 2015 this resulted in an effective rate of 4.75%. The Libor interest rate floor of 1.25% is accounted for separately as embedded derivative and is recorded at the estimated fair market value. The change in fair market value of the embedded derivative is recorded through profit or loss. In late October 2015 Clearwater exercised a provision that allowed it to borrow an additional CAD $75 million on this facility. The loan has a provision that, subject to certain conditions allows Clearwater to expand the facility by a maximum of USD or CAD $25 million).

Clearwater has entered into interest rate swap and cross-currency swap arrangements whereby:

- CDN $12 million of Term Loan A is effectively subject to a fixed interest rate of 5.38% until December 31, 2015 after which it is subject to an interest rate that is the lessor of the floating rate of interest on the loan or a maximum fixed rate of interest of 6.25%.

- CDN $12 million of Term Loan A is subject to a rate cap to December 31, 2015 of 4.5% and then after which the rate is fixed at 5.85% to June 2018.

- USD $50 million of the Term Loan B is capped to December 31, 2015 at an interest rate of 4.75% and then the rate is fixed at 6.15% to June 2019. Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

- USD $50 million of the Term Loan B is capped to June 30, 2016 at an interest rate of 4.75% and then the rate is fixed at 6.49% to June 2019. Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

- USD $75 million of the Term Loan B debt has been swapped into Canadian dollars at an effective exchange rate of 1.32 until June 26, 2018. Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

Taking into account the above interest rate swaps and the additional funds borrowed in late October 2015, Clearwater has effectively fixed the interest rate on 38% of its debt.

Taking into account the above interest rate swaps and the additional funds borrowed in late October 2015, Clearwater has reduced the percentage of its debt denominated in USD from 78% to 55%.

Clearwater includes the change in market value for all interest rate swap and foreign exchange swap arrangements through including such adjustments in the profit and loss during the period.

The revolver, term loan A, delayed draw and term loan B are secured by a first charge on cash and cash equivalents, accounts receivable, inventory, marine vessels, licenses and quotas, and Clearwater's investments in certain subsidiaries.

Clearwater's debt facilities are subject to certain financial and non-financial covenants. Clearwater is in compliance with all covenants associated with its debt facilities**.**

Some public entities provide information on debt to equity ratios. We do not believe that this ratio would provide useful information about Clearwater and its capital structure because a significant amount of assets (harvesting licenses and quotas in particular) are recorded at historical cost rather than at fair value. Instead, we believe that leverage measured in relation to adjusted EBITDA is a better measure to evaluate our capital structure and we have provided that information in the liquidity section**.**

Acquisition and financing of Macduff Shellfish Group Limited

On October 30, 2015 Clearwater completed its acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies for a purchase price of £94.4 million plus seasonal working capital debt.

Macduff was acquired for cash consideration and an unsecured deferred consideration obligation of £27 million (the "Deferred Consideration") with a contingent consideration component that will be a minimum of £3.8 million.

Clearwater financed the cash portion of the acquisition from existing loan facilities including:

- CAD $75 million increase in its' Term Loan B facility
- CAD $25 million increase in its' Revolving Loan Facility
- CAD $51 million borrowing on its' existing Revolving Loan Facility and cash on hand

The Deferred Consideration applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares"). The deferred consideration will be paid over the next five or six years. In each year the holders of the Earn Out Shares can elect to be paid up to 20% of the total respective Earn Out Shares. Clearwater will have the right to exercise the payout of 20% of the total Earn Out Shares annually commencing two years after the date of closing and annually thereafter.

The amount of each Deferred Consideration payment will be as follows:

The greater of:

(i) £5.4 million; OR
(ii) 6.75% of the equity value of the business calculated as 7.5x the last twelve months adjusted EBITDA less the outstanding debt of MacDuff.

Leverage is expected to increase with pro-forma leverage of approximately 5.3x at closing decreasing to below 4.5x by December 31, 2015 and below 4.0x by December

31, 2016 when Clearwater and MacDuff see the full realization of recent investments and organic growth. As a result, management expects to operate above its leverage target of 3.0x with the intention of returning to this goal over the course of two to three years.

LIQUIDITY

Clearwater has a number of treasury management policies and goals to promote strong liquidity and continued access to capital to fund its growth.

These include policies and strategies with respect to liquidity, leverage, foreign exchange management, free cash flows and dividends.

Management continuously evaluates its capital structure in light of these policies and strategies:

- **Liquidity** – As of October 3, 2015 Clearwater had $46.0 million in cash, and a $75 million revolving loan, of which $61.8 million was available for drawing upon. The cash balance, together with available credit on the revolving loan, is used to manage seasonal working capital demands, capital expenditures, and other commitments.

  Clearwater's operations experience a predictable seasonal pattern in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in capital expenditures and working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year. This typically results in lower free cash flow, higher debt balances and higher leverage in the first half of the year. Clearwater is satisfied that it has ample liquidity to execute its business plan.

- **Leverage**[1] – Clearwater has a long-term leverage target of 3.0x or lower. Periodically, the ratio may be higher due to planned investments, or lower due to seasonality but over time Clearwater intends to manage to this ratio. As of October 3, 2015 leverage increased to 3.9x adjusted EBITDA from 3.3x as of December 31, 2014 primarily due to seasonality, higher capital expenditures as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015.

  Leverage is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Clearwater has calculated the amount in order to assist readers in this review. Leverage should not be construed as a measure of cash flows.

  Clearwater's leverage measure is based on Clearwater's share of adjusted EBITDA, debt and cash balances.

In 000's of Canadian dollars As at		October 3 2015	December 31 2014	September 27 2014	September 28 2013
Adjusted EBITDA[1] (excluding non-controlling interest)	$	74,577 $	70,650 $	68,052 $	61,997
Debt[2] (excluding non-controlling interest)					
(net of deferred financing charges of $0.6 million (December 31, 2014 - $0.6 million) (September 27, 2014 - $0.6 million)		325,039	272,554	267,848	251,552
Less cash (excluding non-controlling interest)		(36,610)	(40,712)	(20,069)	(9,666)
Net debt	$	288,429 $	231,842 $	247,779 $	241,886
Leverage		3.9	3.3	3.6	3.9

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

2 - Debt at October 3, 2015 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015.

- **Foreign Exchange Management[1]** –

Clearwater's plan to mitigate foreign exchange risk is as follows:

(1) Diversify sales geographically, which reduces the impact of any country-specific economic risks on its business.

(2) Execute on pricing strategies so as to offset the impact of exchange rates

(3) Limit the amount of long-term sales contracts – Clearwater has very few long-term sales contracts with any customers. Contracts are typically less than 6 months.

(4) Use conservative exchange estimates in business plans – Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when preparing its' business plans.

(5) Foreign exchange hedging program - Clearwater has a targeted foreign exchange program. This program focuses on using forward contracts to lock in exchange rates up to 18 months for sales currencies (the US dollar, Euro, Yen and Sterling) thereby lowering the potential volatility in cash flows from changes in exchange rates.

As of November 13, 2015 Clearwater had forward exchange contracts to be settled in 2015 of:

- US dollar $18.9 million at an average rate of 1.10;
- 898 million Yen at an average rate of .010; and
- 9.5 million Euro at an average rate of 1.45.

In addition Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $65.2 million at an average rate of 1.28;

- 3.36 billion Yen at an average rate of .011; and
- 43.4 million Euro at an average rate of 1.45.

The 2015 and 2016 US dollar forwards include US dollars $18.9 million and $13.2 million, respectively, of participating forwards which provide that to the extent spot rates are higher than the contracted rates of approximately 1.10 for 2015 forwards and 1.25 for 2016 forwards, the contract rate will be adjusted by approximately 50.0% of the excess for the 2015 forwards, and 25.0% of the excess for the 2016 forwards.

The purpose of these contracts is to give certainty to Clearwater on the exchange rates it receives on a portion of our foreign currency sales[1]. The foreign exchange contracts effectively adjust the cash proceeds received on sales receipts to the rates that Clearwater planned for and contracted for as part of this annual planning cycle and its foreign exchange management program. When spot exchange rates are above contract rates at the date of maturity of the contracts Clearwater realizes a loss and conversely, when spot exchange rates are lower it realizes a gain. At the same time, given that Clearwater only hedges to 75% of its net exposures and that higher or lower spot exchange rates are reflected in sales, any losses or gains on contracts are more than offset by the impact on sales.

1 – Refer to discussion on risks and uncertainties

- **Free cash flows**[1] – Clearwater has a goal to generate strong cash flows from operations in order to fund scheduled loan payments and capital expenditures and in turn to use this free cash flow to invest in growth investments. Clearwater's goal is to grow free cash flows such that it can fund growth, maintain leverage of around 3x adjusted EBITDA and pay a sustainable dividend to its shareholders.

	13 weeks ended		39 weeks ended		12 months Rolling		
	October 3 2015	September 27 2014	October 3 2015	September 27 2014	October 3 2015	September 27 2014	September 28 2013
Adjusted EBITDA[1]	$ 38,811	$ 30,945	$ 70,732	$ 61,506	$ 96,593	$ 83,853	$ 75,568
Less:							
Cash Interest	(4,964)	(3,477)	(13,535)	(10,650)	(17,823)	(14,307)	(17,131)
Cash taxes	67	(425)	(2,633)	(2,210)	(3,008)	(2,480)	(1,984)
Other income and expense items	(2,733)	(1,917)	(663)	(4,505)	(1,452)	(3,991)	(2,918)
Operating cash flow before changes in working capital	31,181	25,126	53,901	44,141	74,310	63,075	53,535
Changes in working capital	(20,458)	(10,183)	(52,228)	(24,095)	(24,657)	5,721	(2,930)
Cash flows from operating activities	**10,723**	**14,943**	**1,673**	**20,046**	**49,653**	**68,796**	**50,605**
Uses of cash:							
Purchase of property, plant, equipment, quota and other assets	(7,513)	(11,576)	(59,098)	(70,508)	(71,900)	(81,690)	(16,851)
Disposal of fixed assets	42	-	67	5	67	5	978
Less: Designated borrowings[A]	3,767	5,653	34,866	52,414	45,883	58,644	1,469
Scheduled payments on long-term debt	(1,408)	(1,420)	(3,792)	(2,155)	(9,997)	(3,521)	(3,495)
Payments on long-term incentive plans	-	-	8,953	-	8,953	-	-
Dividends received from joint venture	-	-	-	1,490	-	1,490	2,980
Distribution to non-controlling interests	(1,854)	(1,390)	(9,036)	(7,646)	(11,816)	(11,353)	(10,487)
Free cash flows[1]	**$ 3,757**	**$ 6,210**	**$ (26,367)**	**$ (6,354)**	**$ 10,843**	**$ 32,371**	**$ 25,199**
Add/(less):							
Other debt borrowings (repayments) of debt, use of cash[B]	(3,767)	(930)	(12,161)	(49,344)	(23,215)	(56,849)	(23,851)
Issuance of equity	-	-	58,628	32,487	58,628	32,487	-
Payments on long-term incentive plans	-	-	(8,953)	-	(8,953)	-	-
Other investing activities	976	3,302	(4,897)	2,287	(5,379)	1,901	(790)
Other financing activities	(2,398)	(1,374)	(6,796)	(2,749)	(8,445)	(2,749)	-
Change in cash flows for the period	$ (1,432)	$ 7,208	$ (546)	$ (23,673)	$ 23,479	$ 7,161	$ 558

A – Designated borrowings relate to capital projects for which there is long-term financing and therefore they will not be financed with operating cash flows. For the periods covered in this table includes a conversion of a vessel for Argentina, the addition of a third clam vessel, a late life refit on a shrimp vessel and the conversion of a new research vessel. For the purpose of free cash flow calculations the amount invested (up to the total amount of the related financing) during the period on these projects is backed out of the calculation of free cash flows irrespective of the timing of the related borrowing.
B – Other debt borrowings (repayments) of debt, use of cash for the third quarter of 2015 includes $3.8 million of cash invested in designated capital projects.

Cash flows generated by Clearwater's operations along with cash on deposit and available credit on the revolving loan are used to fund current operations, seasonal working capital demands, capital expenditures, and other commitments.

Free cash flows for the rolling twelve months ended October 3, 2015 declined $21.5 million to $10.8 million due primarily to timing of investments in working capital including accounts receivable and inventory.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

In addition higher capital expenditures (net of designated borrowings) from scheduled refits contributed to the decline in free cash flow. Higher adjusted EBITDA and timing in distributions to non-controlling interests partially offset the decline in free cash flow.

Certain large investments in longer term assets, for example vessel conversion/acquisitions, are funded with long term capital such as amortizing term loans. As a result Clearwater adds back the funding on those capital expenditures in the determination of free cash flows and deducts the related debt payments.

- **Changes in working capital**

	13 weeks ended		39 weeks ended		12 months Rolling	
	October 3	September 27	October 3	September 27	October 3	September 27
In 000's of Canadian dollars	2015	2014	2015	2014	2015	2014
(Increase) decrease in inventory	$ (3,465)	$ 9,746	$ (23,977)	$ (6,778)	$ (10,961)	$ 11,278
(Decrease) increase in accounts payable	(9,328)	(8,002)	1,733	7,970	(3,680)	4,420
(Increase) in accounts receivable	(7,891)	(11,843)	(31,127)	(26,539)	(9,194)	(10,162)
Decrease (increase) in prepaids	226	(84)	1,143	1,252	(822)	185
	$ (20,458)	$ (10,183)	$ (52,228)	$ (24,095)	$ (24,657)	$ 5,721

Working capital for the rolling twelve months ending October 3, 2015, declined $30.4 million from proceeds of $5.7 million for the rolling twelve months ending September 27, 2014 to a use of cash of ($24.7) million for the same period in 2015. The decline was primarily a result of difficult weather conditions that delayed harvesting opportunities, impacting timing of available supply and therefore timing of payables and accounts receivable.

Investments in capital expenditures year to date 2015 of $59.1 million resulted primarily from the construction of the clam vessel, and scheduled refits.

Clearwater is focused on managing its free cash flows through:

- Managing working capital - Clearwater manages its investment in trade receivables through a combination of tight collection terms and when appropriate, discounting. Clearwater limits its investment in inventories through tight review of supply and production plans versus sales forecasts, and through continuous improvements in the integration of its fleet and sales plans.

- Capital spending - Clearwater grades investments in property, plant, equipment and licences as either return on investment (“ROI”) or maintenance capital and tracks each project. Significant expenditures that are expected to have a return in excess of the cost of capital are classified as ROI, and all refits and expenditures that are expected to return less than the average cost of capital are classified as maintenance.

  On average, Clearwater expects to invest $15-20 million a year in maintaining its fixed assets with a further $10-15 million of repairs and maintenance expensed and included in the cost of goods sold.

In late July 2015 Clearwater successfully launched its new state-of-the-art factory clam vessel, the Belle Carnell. At a cost of CAD $65 million, this vessel is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round. The vessel completed fishing trials and initial trips in the third quarter of 2015 and has joined Clearwater's fleet in the fourth quarter. Management forecasts once the vessel has reached full operational capacity in 2016/2017 is expected to increase annual clam sales by up to 50% (as compared to 2014 annual sales).

In 2015 Clearwater expects significant total capital investments, excluding the investment in Macduff, to be approximately $64 million with, $26 million relating to the construction of the new clam vessel, $7 million for the purchase and conversion of a research vessel, $17 million related to maintenance capital investments and $14 million to improve operational efficiencies in our plants and information systems.

- **Dividends** – On November 13, 2015 the Board of Directors approved and declared an increase in the quarterly dividend from CAD $0.04 per share to CAD $0.05 per share, payable on December 15, 2015 to shareholders of record as of November 30, 2015.

In making the determination of dividend levels Clearwater's Board gives consideration to a number of key principles including:

- the expected future earnings;
- the amount of free cash flows that should be retained to reinvest in the business;
- the assurance that all obligations can be met with respect to existing loan agreements; and
- the desire for the dividend to increase in the future as the business continues to grow and expand.

The Board reviews dividends quarterly with a view to revisiting the appropriate dividend amount annually.

The Board will continue to review the policy on a regular basis to ensure the dividend level remains consistent with Clearwater's long term dividend policy.

These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation and, therefore, qualify for the favorable tax treatment applicable to such dividends.

Commitments

In the normal course of business, Clearwater is obligated to make future payments, including contractual obligations for non-derivative and derivative financial instruments, operating leases and other commitments. Clearwater has included these items in the commitments section of its 2014 annual MD&A, which section is herein incorporated by reference. The table includes undiscounted cash flows of financial liabilities, operating lease and other commitments, interest and principal cash flows based on the earliest date on which Clearwater is required to pay. Since December 31, 2014, there have been no material changes to amounts presented or expectations in the commitment schedule included in the 2014 annual MD&A.

EXPLANATION OF THIRD QUARTER 2015 RESULTS

Overview

The statements reflect the results of Clearwater for the 13 weeks ended October 3, 2015 and September 27, 2014:

In 000's of Canadian dollars Unaudited	October 3 2015	September 27 2014
Sales	$ 147,332	$ 134,069
Cost of goods sold	100,482	100,073
Gross margin	46,850	33,996
	31.8%	25.4%
Administrative and selling	10,130	16,058
Finance costs	16,397	12,889
Losses on contract derivatives	14,287	945
Other (income) expense	619	(2,437)
Research and development	423	633
	41,856	28,088
Earnings before income taxes	4,994	5,908
Income tax	3,277	2,949
Earnings	$ 1,717	$ 2,959
Earnings attributable to:		
Non-controlling interest	$ 6,485	4,076
Shareholders of Clearwater	(4,768)	(1,117)
	$ 1,717	$ 2,959

Third Quarter 2015 Results

Clearwater reported record sales of $147.3 million and adjusted EBITDA[1] of $38.8 million for the third quarter of 2015 versus 2014 comparative figures of $134.1 million and $30.9 million, respectively, reflecting growth of 9.8% in sales and 25.6% in adjusted EBITDA.

For the third quarter of 2015, gross margin improved by $12.9 million in comparison to the same period in 2014. Gross margin as a percentage of sales improved from 25.4% in the third quarter of 2014 to 31.8% for the same period of 2015.

The growth in sales and gross margin was driven by higher sales prices for the majority of species as well as a $15.3 million positive impact from foreign exchange as average rates for the US dollar were higher in the third quarter of 2015. The positive impact from foreign exchange on gross margin was partially offset by higher harvesting costs for scallops, higher procurement costs for scallops, lobster, snow crab and shrimp and a reduction in available supply for scallops.

Harvest costs and sales volumes were negatively impacted by challenging weather conditions both at sea and on land during the first quarter of 2015 that carried over into mid second quarter of 2015. The impact of these weather conditions was to delay harvesting operations and scheduled vessel maintenance for our clam and scallop fleets. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales volumes.

Administrative and selling costs decreased $5.9 million, or 36.9%, to $10.1 million for the third quarter of 2015 primarily as a result of a decline in share-based incentive compensation due to a reduction in Clearwater's stock price.

Strong operating cash flows were offset by planned investments in working capital in the third quarter of 2015. As a result free cash flows[1] declined $2.5 million to $3.8 million in comparison to the same period in 2014. The third quarter free cash flow results are in line with management's expectations and position the company well to generate strong annual free cash flows.

Lower non-operational gains of $13.2 million (refer to the following table), were primarily a result of a reduction in non-cash unrealized gains from forward contracts. In addition the increase in non-cash unrealized foreign exchange losses on the translation of the US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

In 000's of Canadian dollars 13 weeks ended	October 3 2014	September 27 2013	Change
Earnings	$ 1,717	$ 2,959	$ (1,242)
Higher gross margin			12,854
Higher realized foreign exchange losses			(2,849)
Lower administrative and selling			5,928
Higher interest expense			(1,612)
			14,321
Explanation of changes in earnings related to non-operational items:			
Higher unrealized foreign exchange losses on debt, working capital and derivatives			(10,839)
Lower debt arrangement costs			100
Lower deferred income tax expense			(820)
Higher fair value loss adjustments on embedded derivative			(1,650)
			(13,209)
All other			(2,354)
			$ (1,242)

Sales by region

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014		Change	%
China	$	34,292	$	30,686	$	3,606	11.8
Japan		20,837		15,024		5,813	38.7
Other Asia		5,087		5,074		13	0.3
Asia		60,216		50,784		9,432	18.6
Canada		23,764		22,199		1,565	7.0
United States		22,935		24,513		(1,578)	(6.4)
North America		46,699		46,712		(13)	(0.0)
Europe		39,898		36,105		3,793	10.5
Other		519		468		51	10.9
	$	147,332	$	134,069	$	13,263	9.9

China

China is an important market for clams, coldwater shrimp, lobster, turbot and scallops.

Sales to customers in China increased $3.6 million or 11.8%, to $34.3 million for the third quarter of 2015 as compared to the same period of 2014 as a result of strong market demand that increased sales prices for clams and turbot and higher average foreign exchange rates[1] as the US dollar strengthened against the Canadian dollar.

Chinese sales are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar in the third quarter of 2015 contributing to an increase in sales by $5.9 million as average foreign exchange rates for the US dollar strengthened against the Canadian dollar by 20.8% to 1.317 in 2015.

1 – Refer to discussion on risks and uncertainties

Higher sales volumes for clams, lobster and snow crab contributed to the increase in sales.

A reduction in sales volumes for turbot from the timing of landings partially offset the increase in sales.

Japan

Japan is an important market for clams, lobster, coldwater shrimp and turbot.

Sales to customers in Japan increased $5.8 million or 38.7%, to $20.8 million in the third quarter of 2015 primarily as a result of an increase in sales volumes and sales price for both turbot and shrimp.

A reduction in clams sales volumes from lower available supply and changes in sales mix weighted towards products with lower sales prices partially offset the increase in sales.

The reduction in sales volumes for clams was a result of lower supply levels caused in part by difficult weather conditions for the first half of 2015 and unscheduled repairs and maintenance to one vessel.

Average foreign exchange rates for the Yen for the third quarter of 2015 were 0.011 and were consistent same period in 2014.

Canada

Canada is a large market for lobster, scallops and coldwater shrimp.

Sales within Canada increased $1.6 million, or 7.0%, to $23.8 million for the third quarter of 2015 as compared to the same period in 2014 primarily as a result of an increase in sales prices and sales volumes for snow crab. High sales volumes in the third quarter of 2015 was a result of timing of landings for snow crab as delays in harvesting from poor weather conditions in the first half of 2015 delayed fishing opportunities.

A reduction in sales volumes for sea scallops and lobster partially offset the increase in sales.

The decline in sales volumes for sea scallops was a result of a reduction in available supply as difficult weather conditions reduced inventory levels at the end of the first half of 2015.

United States

The United States is an important market for scallops, coldwater shrimp, lobster and clams. It is our most diverse market, where a wide variety of products are sold.

Sales in the United States decreased $1.6 million or 6.4%, to $22.9 million for the third quarter of 2015 as compared to the same period in 2014, primarily as a result of a reduction in sales volumes for sea scallops as available supply was sold to higher yielding markets.

In addition a reduction in sales volumes for Argentine scallops from a lack of available supply contributed to the decline in sales. The lack of available supply was due lower catch rates for 2015 and harvesting delays for the new Argentine scallop vessel.

Higher sales volumes for clams from changes in available supply mix and higher average foreign exchange rates[1] partially offset the decline in sales. In addition, changes in sales mix for lobster that was weighted towards products with higher sales prices also partially offset the decline in sales.

Sales were positively impacted by $4.0 million in the third quarter of 2015 as a result of foreign exchange rates as average rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 20.8% to 1.317 in the third quarter of 2015.

Europe

Europe is Clearwater's largest scallop market and it is an important market for coldwater shrimp and lobster products.

European sales increased $3.8 million to $39.9 million for the third quarter of 2015 primarily as a result of strong market demand that increased sales volumes for sea scallops, shrimp and lobster.

Higher sales prices for scallops and shrimp and higher average foreign exchange rates[1] also contributed to the increase in sales. In addition the sales mix for lobster and shrimp was weighted towards products with higher sales prices.

Lower sales volumes for Argentine scallops and cooked and peeled shrimp partially offset the increase in sales. Lower sales volumes for Argentine scallops were a result of a lack of available supply lower due to catch rates and harvesting delays for the new Argentine scallop vessel.

Sales which were primarily transacted in the Euro, GBP, and DKK during the third quarter of 2015 were positively impacted by $1.7 million in foreign exchange. The Euro improved 2.5% relative to the Canadian dollar from 1.439 in the third quarter of 2014 to 1.475 in the same period in 2015, and the DKK improved 2.6% to 0.199 for the third quarter of 2015.

1 – Refer to discussion on risks and uncertainties

Sales by species[1]

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014		Change	%
Scallops	$	37,918	$	42,576	$	(4,658)	(10.9)
Lobster		28,104		22,407		5,697	25.4
Clams		26,507		23,063		3,444	14.9
Coldwater shrimp		24,361		19,881		4,480	22.5
Crab		14,499		12,646		1,853	14.7
Ground fish and other		15,943		13,496		2,447	18.1
	$	147,332	$	134,069	$	13,263	9.9

Sales increased $13.3 million for the third quarter of 2015 as a result of strong market demand that increased sales prices for the majority of our species and higher exchange rates for the US dollar.

Lower available supply for scallops, resulting from difficult weather conditions in the first half of 2015 that impacted negatively on harvesting opportunities and lowered catch rates partially offset the increase in sales prices. An expected reduction in the total allowable catch for sea scallops also contributed to the lower available supply for 2015.

1 – Refer to discussion on risks and uncertainties

Cost of Goods Sold

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014		Change	%
Harvesting and procurement	$	72,778	$	73,553	$	(775)	(1.1)
Manufacturing		11,517		11,054		463	4.2
Depreciation		7,430		6,019		1,411	23.4
Transportation		6,206		6,556		(350)	(5.3)
Administration		2,551		2,891		(340)	(11.8)
	$	100,482	$	100,073	$	409	0.4

Cost of goods sold remained consistent with the third quarter of 2014 at $100 million for the third quarter of 2015 as higher harvesting costs for scallops and procurement costs for scallops, lobster, snow crab and shrimp were partially offset by lower sales volumes.

The decline in sales volumes was a result of a reduction in available supply for both sea and Argentine scallops. The reduction in available supply for sea scallops was primarily a result of difficult weather conditions in the first half of 2015 and one vessel on a planned refit in the first quarter of 2015. In addition, expected reductions in the total allowable catch for the year for sea scallops reduced available supply. Finally lower catch rates as well as harvesting delays with a new Argentine vessel contributed to the decline in Argentine scallop sales.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear supplies, other costs and fees plus procured raw material costs for lobster, shrimp, scallops and crab.

Harvesting and procurement costs increased for the third quarter of 2015. Lower catch rates for scallops and higher procurement costs per pound for lobster, snow crab and cooked and peeled shrimp increased harvesting and procurement cost for the third quarter of 2015.

Fuel costs for our vessels declined $1.8 million for the third quarter of 2015 to $5.1 million primarily due to the timing of landings for clams and Argentine scallops and lower fuel costs per litre. The average price for fuel declined $0.15 per litre to an average of $0.72 per litre. Clearwater's vessels used approximately 28.4 million litres of fuel in 2014. Based on 2014 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.2 million.

Manufacturing includes labour costs related to the production of goods, plant utilities and supplies. Labour costs increased for the year as a result of scheduled increases in wages, salaries and benefits and higher production for certain species.

Depreciation from assets used in the harvesting and production of goods increased $1.4 million as a result of vessel refits and investments in plants and vessels that were completed during the last half of 2014 and in 2015.

Transportation costs include freight, customs and duties related to the transfer of goods to market.

Administrative overheads include salaries and benefits, professional and consulting fees and management fees attributable to the harvesting and production of goods. Refer to administrative and selling for further information.

Gross margin

Gross margin as a percentage of sales improved from 25.4% in the third quarter of 2014 to 31.8% for the same period of 2015, as a result of strong market demand that increased sales prices for the majority of core species and higher average foreign exchange rates[1] for the US dollar. The net impact on sales from all foreign exchange rates was an increase in sales and gross margins of $15.3 million.

Higher harvesting costs for scallops from lower catch rates and higher shore prices for lobster, snow crab and cooked and peeled shrimp.

13 weeks ended	October 3, 2015		September 27, 2014		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	52.2%	1.317	53.7%	1.090	20.8%
Euros	15.7%	1.475	18.7%	1.439	2.5%
Japanese Yen	11.2%	0.011	9.2%	0.011	0.0%
Danish Kroner	4.2%	0.199	2.2%	0.194	2.6%
UK pounds	5.5%	2.033	4.6%	1.810	12.3%
Canadian dollar and other	11.2%		11.6%		
	100.0%		100.0%		

1 – Refer to discussion on risks and uncertainties

Administrative and selling

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014		Change	%
Salaries and benefits	$	9,280	$	8,220	$	1,060	12.9
Share-based incentive compensation		(1,255)		4,230		(5,485)	(129.7)
Employee compensation		8,025		12,450		(4,425)	(35.5)
Consulting and professional fees		2,259		1,683		576	34.2
Other		1,557		1,315		242	18.4
Selling costs		515		856		(341)	(39.8)
Travel		485		462		23	5.0
Occupancy		267		325		(58)	(17.8)
Reorganization costs		-		2,051		(2,051)	(100.0)
Allocation to cost of goods sold		(2,978)		(3,084)		106	(3.4)
	$	10,130	$	16,058	$	(5,928)	(36.9)

Administrative and selling decreased $5.9 million, or 36.9%, to $10.1 million for the third quarter of 2015 primarily as a result of a decline in share-based incentive compensation.

Salaries and benefits increased $1.1 million primarily as a result of increases in senior management and other staff head counts and compensation and benefit cost increases.

Share-based incentive compensation is primarily driven by changes in Clearwater's share price, performance against Clearwater's peer group and the number of outstanding share based grants outstanding.

Share based compensation expense declined $5.5 million as a result of a decline in Clearwater's share price during the quarter and a decline in the number of outstanding grants. The number of share based grants outstanding declined as one of the tranches was completed and cash settled for approximately $9.0 million in the first quarter of 2015.

Consulting and professional fees include operations management, legal, audit and accounting, insurance and other specialized consulting services. Costs increased as a result of higher consulting fees from changes to Clearwater's network infrastructure and costs related to our Enterprise Resource Planning system ("ERP") conversion.

Reorganizational costs for the third quarter of 2014 relates to a write down on goodwill related to non-core species.

The allocation to cost of goods sold reflects costs that are attributable to the production of goods and are allocated on a proportionate basis based on production volumes.

Finance costs

In 000's of Canadian dollars 13 weeks ended	October 3 2015	September 27 2014
Interest and bank charges	$ 4,964	$ 3,477
Amortization of deferred financing charges and accretion	318	193
Interest	5,282	3,670
Fair value adjustment on embedded derivative	1,378	(272)
Foreign exchange on debt and working capital	9,737	9,391
Debt settlement and refinancing fees	-	100
	$ 16,397	$ 12,889

Interest and bank charges increased $1.6 million for the third quarter of 2015 as compared to the same period in 2014 due to higher exchange rates[1] on the US dollar denominated debt, which in turn increased interest expense when converted into Canadian dollars. Clearwater has approximately USD $200 million US dollar denominated debt outstanding as at October 3, 2015.

The **fair value adjustment on the embedded derivatives** represents the change in the estimated fair values of these instruments.

Debt settlement and refinancing fees represent fees incurred for the settlement or refinancing of long term debt and will vary year to year depending on refinancing activities.

1 – Refer to discussion on risks and uncertainties

Foreign exchange[1] on long term debt and working capital

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014
Realized (gain)				
Working capital and other	$	(3,356)	$	(845)
Unrealized loss				
Foreign exchange on long term debt and working capital		13,093		10,236
	$	9,737	$	9,391

Foreign exchange losses on long term debt and working capital increased by $0.3 million in the third quarter of 2015. The increase was primarily a result of non-cash unrealized losses on the translation of the $200 million US dollar denominated debt as the US dollar strengthened against the Canadian dollar.

These losses were partially offset by an increase in realized foreign exchange gains from working capital from higher foreign exchange rates realized on net US dollar working capital assets.

Losses on contract derivatives

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014
Realized loss				
Forward foreign exchange contracts	$	7,287	$	1,927
Unrealized loss (gain)				
Forward foreign exchange contracts		3,814		(1,239)
Interest rate swaps and caps		3,186		257
		7,000		(982)
	$	14,287	$	945

Losses on contract derivatives increased $13.3 million to $14.3 million in the third quarter of 2015 primarily as a result of higher losses on both realized and unrealized foreign exchange contracts.

The losses on realized foreign exchange contracts increased $5.4 million primarily as a result of spot rates that were higher than contracted rates for US dollar contracts that were settled during the third quarter of 2015, as the US dollar strengthened against the Canadian dollar.

1 – Refer to discussion on risks and uncertainties

Losses on unrealized foreign exchange contracts increased $5.1 million from the third quarter of 2014 as a result of Euro and Yen contracts for which the contracted rates were less than the spot rate in 2015, as the Euro strengthened against the Canadian dollar whereas the Canadian dollar had strengthened against the Euro in the same period for 2014.

The increase in unrealized loss on interest rate swaps and caps was primarily a result of an increase in non-cash mark to market losses on USD $100 million and Canadian $24 million of interest rate swaps/caps that were entered into in the first quarter of 2014 and the third quarter of 2014 and changes in relative expected future interest rates. In addition in the third quarter of 2015, Clearwater entered into a cross currency swap whereby USD $75 million was swapped into CAD at a fixed rate of 1.32 and a maturity date of June 26, 2018.

Clearwater's hedging program is designed to enable Clearwater to remove uncertainty regarding exchange rates on sales receipts by locking in up to 75% of annual net foreign exchange exposure. Clearwater does this by entering into a series of foreign exchange contracts that mature throughout the fiscal year and that provide for a fixed exchange rate on a portion of sales receipts. In a rising exchange rate environment such as the one we are currently in where spot rates are higher than contract rates, Clearwater realizes higher exchange rates on sales but it is required to remit the excess of the spot rate received on sales receipts over the contract rate to the counterparty on the portion of sales that it has hedged.

Currently Clearwater does not apply hedge accounting and as a result unrealized gains and losses were recorded in earnings for differences between the contracted rate and the spot rate.

Should the current environment of a stronger US dollar and Euro versus the Canadian dollar persist it would have a positive impact on sales but the hedging program would offset a portion of those gains and reduce the positive impact on adjusted EBITDA. However, looking forward to 2015, Clearwater would realize the benefit of such higher rates as hedging contracts that it is entering now are at rates closer to current spot rates.

Other income

In 000's of Canadian dollars 13 weeks ended		October 3 2015		September 27 2014
Royalties, interest and other fees	$	(426)	$	(456)
Share of earnings of equity-accounted investee		(2,033)		(1,822)
Other fees (income)		3,078		(159)
	$	619	$	(2,437)

Royalties, interest and other fees includes income related to quota rental, commissions, processing fees and other miscellaneous income and expense that vary based upon the operations of the business.

Other fees which increased $3.2 million from the third quarter of 2014 primarily due to due diligence and other project costs from the investment in Macduff Shellfish Group Limited.

Research and Development

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed. Clearwater's business plans expect an increase in investment in research and development.

Income taxes

Income taxes primarily relate to taxable subsidiaries in Argentina, the United States, the United Kingdom and Canada.

Deferred tax assets are being recognized based on management's estimate that it is more likely than not that Clearwater will earn sufficient taxable profit to utilize these losses.

Earnings attributable to non-controlling interest

Non-controlling interest relates to minority share of earnings from Clearwater's majority investments in subsidiaries in Argentina, Nova Scotia and Newfoundland and Labrador.

The increase in earnings attributable to non-controlling interest of $2.4 million for the third quarter of 2015 relates primarily to strong market demand that increased sales prices for turbot and shrimp and higher average foreign exchange rates.

It is important to note that the earnings attributable to non-controlling interest relates to Clearwater's interests in partnerships and as such taxes are included in earnings attributable to shareholders, whereas the earnings attributable to non-controlling interest are not tax effected.

For those investors that would like to understand the breakdown of adjusted EBITDA attributable to non-controlling interest and shareholders please refer to the reconciliation of adjusted EBITDA within the non-IFRS measures, definitions and reconciliations section of the MD&A.

Earnings attributable to shareholders

Earnings attributable to shareholders of Clearwater declined $3.7 million to a loss of $4.8 million for the third quarter of 2015 primarily as a result of non-cash unrealized foreign exchange losses on the translation of the US dollar denominated debt were higher in 2015 than in the third quarter of 2014.

Adjusted Earnings attributable to shareholders

To assist readers in estimating our earnings we have included a calculation of adjusted earnings. Management believes that in addition to earnings and cash provided by operating activities, adjusted earnings is a useful supplemental measure from which to determine Clearwater's earnings from operations and ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

For those readers that would like to understand the calculation of adjusted earnings please refer to the reconciliation of adjusted earnings within the non-IFRS measures, definitions and reconciliations section of the MD&A.

Adjusted earnings attributable to shareholders increased $8.5 million to $18.7 million for the third quarter of 2015 primarily a result of improvements in gross margin from strong sales prices for the majority of core species and higher average foreign exchange rates as the US dollar strengthened against the Canadian dollar.

OUTLOOK

Global demand for seafood is outpacing supply, creating favorable market dynamics for vertically integrated producers such as Clearwater which have strong resource access.

Demand has been driven by growing worldwide population, shifting consumer tastes towards healthier diets, and rising purchasing power of middle class consumers in emerging economies.

The supply of wild seafood is limited and is expected to continue to lag behind the growing global demand. This supply-demand imbalance has created a marketplace in which purchasers of seafood are increasingly willing to pay a premium to suppliers that can provide consistent quality and food safety, wide diversity and reliable delivery of premium, wild, sustainably harvested seafood.

As a vertically integrated seafood company, Clearwater is well positioned to take advantage of this opportunity because of its licenses, premium product quality, diversity of species, global sales footprint, and year-round harvest and delivery capability.

We are pleased with our year-to-date results for 2015 and expect that our five-year strategic plan goal of $100 million in adjusted EBITDA is now within our reach – one full year ahead of our original timetable.

Strong global demand across all markets and species has been a key strength that has more than offset challenging harvest conditions in the first half of 2015. With our fourth quarter still ahead of us, exceptional market conditions and improving supply position, we remain confident in our full year outlook.

Looking forward, the acquisition of Macduff further strengthens our global market position by expanding our supply of premium wild shellfish by approximately 20%.

Our core strategies are:

- **Expanding Access to Supply** –
  We will continue to actively invest in access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

  The investment in Macduff in October 2015 provides Clearwater with access to approximately 28% of the United Kingdom's s supply of king scallops and whelk. Macduff products include King and Queen scallops, langoustines, brown crab and whelk and overall provides access on an annual basis to approximately 15 million pounds of premium, wild caught, safe, traceable and complementary shellfish species.

In addition in late July 2015 Clearwater completed the launch of its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, this vessel is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round. The vessel completed fishing trials and initial trips in the third quarter of 2015 and has joined Clearwater's fleet in the fourth quarter. Management expects that once the vessel has reached full operational capacity in 2016/2017 it could increase annual clam sales by up to 50% (as compared to 2014 annual sales).

- **Target Profitable & Growing Markets, Channels & Customers** - We continue to benefit from strong and increasing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2015, we will continue to segment and target markets, consumers, channels and customers on the basis of size, profitability, demand for eco-label seafood and ability to win. Our focus is to win in key channels and with customers that are winning with consumers.

  Macduff provides Clearwater enhanced access to key distribution channels including food service and grocery retail in multiple markets including the UK, France, Italy, Spain and Portugal.

- **Innovate and Position Products to Deliver Superior Customer Satisfaction and Value** – We continue to work with customers on new product forms. We will continue to innovate and position our premium seafood to deliver superior satisfaction and value that's relevantly differentiated on the dimensions of taste, quality, safety, sustainability, wellness and convenience.

  In addition there are opportunities to expand the distribution of Macduff products with Clearwater providing expanded market and customer service/access as well as sales and marketing strength in North America and Asia, especially Japan and China.

- **Increase Margins by Improving Price Realization and Cost Management** - In 2015 we began to implement our first "ocean to shelf" global supply chain. We have ambitious expectations to drive top and bottom line growth, capturing savings in global supply chain efficiencies and improved productivity. This will include leveraging the scarcity of seafood supply versus increasing global demand to continuously improve price realization, revenue and margins. It also includes investing in innovative state-of-the-art technology, systems and processes that maximize value, minimize cost, reduce waste, increase yield and improve quality, reliability and safety of our products and people.

  The Macduff investment expands Clearwater's North Atlantic harvesting operations and provides integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland.

- **Pursue and Preserve the Long Term Sustainability of Resources on Land and Sea** - As a leading global supplier of wild-harvested seafood – sustainability remains at the core of our business and our mission. Investing in the long-term health and the responsible harvesting of the oceans and the bounty is every harvester's responsibility and the only proven way to ensure access to a reliable, stable and long-term supply of seafood. Sustainability is not just good business, like innovation it's in our DNA. That's why Clearwater has been recognized by the Marine Stewardship Council ("MSC") as a leader in sustainable harvesting for wild fisheries and how Clearwater can offer the widest selection of sustainably-certified species of any seafood harvester worldwide. In October 2015 Clearwater received an award from ESRI Canada, for our commitment to sustainable business practices through the use of our geographic information system ("GIS"), which allows us to reduce our impact on the ocean floor and more efficiently conduct our harvest operations.

  Clearwater will continue to invest in science and sustainable harvesting technology and practices to add value to all fisheries in which we participate in Canada, Argentina and the United Kingdom.

- **Build Organizational Capability, Capacity & Engagement -** A high level of performance can only be achieved by a talented and engaged global workforce at sea and on land, employing well communicated strategies and plans with measurable objectives. It also requires an enduring commitment to invest in our people.

  Macduff creates a new growth platform for Clearwater that will complement our robust organic growth plans. Having grown rapidly over the past four years, Macduff is the fishing company best positioned to lead and benefit from future investment in the European Union and it has identified multiple opportunities to fuel such growth. This growth will provide opportunities to invest and, develop and engage our entire workforce.

RISKS AND UNCERTAINTIES

The performance of Clearwater's business is susceptible to a number of risks which affect income, liquidity and cash flow, including risks related to resource supply, food processing and product liability, suppliers, customers, competition and foreign exchange exposure and lawsuits in the normal course of business. For further disclosure of additional risk factors please refer to the Annual Information Form, which is available on Sedar at www.sedar.com as well as Clearwater's website at www.clearwater.ca.

Foreign exchange risk

Our financial results are subject to volatility as a result of foreign exchange rate fluctuations.

The majority of Clearwater's sales are to locations outside Canada and are transacted in currencies other than the Canadian dollar whereas the majority of our expenses are in Canadian dollars. As a result, fluctuations in the foreign exchange rates of these currencies can have a material impact on our financial condition and operating results. In addition Clearwater has a subsidiary which operates in the offshore scallop fishery in Argentina which exposes Clearwater to changes in the value of the Argentine Peso.

Risks associated with foreign exchange are partially mitigated by the following strategies:

(1) Diversify sales internationally which reduces the impact of any country-specific economic risks.

(2) Execute on pricing strategies so as to offset the impact of exchange rates.

(3) Limit the amount of long-term sales contracts – Clearwater has very few long-term sales contracts with any customers. Contracts are typically less than 6 months and are based on list prices that provide a margin for exchange rate fluctuations.

(4) Plan conservatively - Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when preparing its' business plans, and

(5) Foreign exchange hedging program - that focuses on using forward contracts to enable Clearwater to lock in exchange rates up to 18 months for key sales currencies (the US dollar, Euro, Yen and Sterling) thereby lowering the potential volatility in cash flows through derivative contracts.

In 2014 approximately 46.5% of Clearwater's sales were denominated in US dollars.

Based on 2014 sales and excluding the impact of its' hedging program,

- a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.9 million change in sales and gross profit.

- a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $0.6 million change in sales and gross profit.
- a change of 0.001 in the Yen rate as converted to Canadian dollars would result in a change of $4.2 million in sales and gross profit.

As of November 13, 2015 Clearwater had forward exchange contracts to be settled in 2015 of:

- US dollar $18.9 million at an average rate of 1.10;
- 898 million Yen at an average rate of .010; and
- 9.5 million Euro at an average rate of 1.45.

In addition Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $65.2 million at an average rate of 1.28;
- 3.36 billion Yen at an average rate of .011; and
- 43.4 million Euro at an average rate of 1.45.

The 2015 and 2016 US dollar forwards include US dollars $18.9 million and $13.2 million, respectively, of participating forwards which provide that to the extent spot rates are higher than the contracted rates of approximately 1.10 for 2015 forwards and 1.25 for 2016 forwards, the contract rate will be adjusted by approximately 50.0% of the excess for the 2015 forwards, and 25.0% of the excess for the 2016 forwards.

The purpose of these contracts is to give certainty to Clearwater on the exchange rates that it expects to receive on a portion of our foreign currency sales. The foreign exchange contracts effectively adjust the cash proceeds received on sales receipts to the rates that Clearwater planned for and contracted for as part of this annual planning cycle and its foreign exchange management program. When spot exchange rates are above contract rates at the date of maturity of the contracts Clearwater realizes a loss and conversely, when spot exchange rates are lower it realizes a gain. At the same time, given that Clearwater only hedges to 75% of its net exposures and that higher or lower spot exchange rates are reflected in sales, any losses or gains on contracts are more than offset by the impact on sales.

Political risk

Our Argentine and other international operations are subject to economic and political risks, which could materially and adversely affect our business.

Our Argentine and other foreign operations and investments are subject to numerous risks, including fluctuations in foreign currency, exchange rates and controls, expropriation of our assets, nationalization, renegotiation, forced divestiture, modification or nullification of our contracts and changes in Argentine or other foreign laws or other regulatory policies of foreign governments and having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce the judgment of a foreign court or arbitration panel against a sovereign nation within its own territory.

In certain previous years, Clearwater has been unable to repatriate dividends from Argentina.

Clearwater did not request for dividends to be paid in 2014 as it completed the process of converting a vessel for use in its' Argentine operations late in 2014. There can be no assurances that Clearwater will continue to be able to repatriate dividends from Argentina in the future.

To compensate for the potential restriction on dividend payouts Clearwater put in place domestic loan financing in Argentina related to the purchase of a replacement vessel. The replacement of this vessel will necessitate that some funds be used for the related loan domestic payments, thus alleviating the need for any material dividend payments for the short term.

Our operations in Argentina and elsewhere may be negatively affected by both foreign exchange and expropriation losses as well as the increased cost and risks of doing business in developing markets.

We mitigate this risk through maintaining a policy of repatriating our share of the earnings from Argentina through dividends and we do not maintain any material financial assets that are surplus to our needs to operate the business outside of Canada. We do not carry financial assets in Pesos to mitigate exchange risk. In addition we have structured our operations in Argentina with an Argentine partner who owns 20% of the Argentine business and who is resident in Argentina and is actively managing the business.

No assurance can be given that our operations will not be adversely impacted as a result of existing or future legislation**.**

Contingent Liability

Clearwater has received a claim regarding intellectual property in the amount of $6 million. Clearwater does not believe there is merit to the claim. The dispute has not gone to trial or arbitration.

In addition, from time to time Clearwater is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material effect on Clearwater's consolidated financial position.

Resource supply risk

A material change in the population and biomass of scallop, lobster, clam, or coldwater shrimp stocks in the fisheries in which we operate would materially and adversely affect our business.

Clearwater's business is dependent on our allocated quotas of the annual Total Allowable Catch (TAC) for the species of seafood we harvest. The annual TAC is generally related to the health of the stock of the particular species as measured by a scientific survey of the resource. The population and biomass of shellfish stocks are subject to natural fluctuations some of which are beyond our control and which may be exacerbated by factors such as water temperatures, food availability, the presence of predators, disease, disruption in the food chain, reproductive problems or other biological issues. We are unable to fully predict the timing and extent of fluctuations in the population and biomass of the shellfish stocks we harvest and process, and we therefore may not be able to engage in effective measures to alleviate the adverse effects of these fluctuations. In addition, the population models utilized by scientists evaluating the fisheries in which we operate are constantly evolving. Certain changes in the population models could negatively impact future biomass estimates. Any material reduction in the population and biomass or TAC of the stocks from which we source seafood would materially and adversely affect our business. Any material increase in the population and biomass or TAC could dramatically reduce the market price of any of our products.

The source of all Clearwater's supply of products comes from fisheries in Canada and Argentina. The governments of Canada and Argentina set the annual TAC for each species by reviewing scientific studies of the resource and then consulting with key stakeholders including us and our competitors to determine acceptable catch levels. The potentially differing interests of our competitors may result in conflicting opinions on issues around resource management, including the establishment of TACs and other management measures potentially limiting our ability to grow, to fully capitalize on our investments in harvesting capacity, or to achieve targeted yields from the resource, which may adversely affect our financial condition and results of operations.

Resource supply risk is managed through adherence with government policies and regulations related to fishing in Canada and Argentina and Clearwater's investment in science and technology, which enables Clearwater to understand the species that it harvests. Clearwater has invested in projects with the scientific community, such as ocean floor mapping and the resource assessment surveys to ensure access to the best available science information. Resource management plans, developed by DFO, are developed through an open and transparent process with strong input from industry participants. Clearwater engages in these processes to promote best in class, robust, and sustainable management of the resource. The Marine Stewardship Council certification of all of our core species demonstrates that the resources that Clearwater harvests meet the leading global standard for sustainable fisheries management practice. Clearwater further mitigates the risk associated with resource supply and competition through the diversification across species.

Other risks

Clearwater is investing in the implementation of a new enterprise resource planning system ("ERP") to support improved decision making capabilities. We recognize that the integrity and reliability of information in all its forms are critical. Inaccurate, incomplete or unavailable information could lead to incorrect financial reporting, and poor decision making. The implementation of the ERP and all major information technology projects are managed by a change management and governance process. Clearwater has an ERP team staffed with knowledgeable internal and external resources that is responsible for implementing the various key initiatives.

For further disclosure of additional risk factors please refer to the Annual Information Form.

CRITICAL ACCOUNTING POLICIES

Clearwater's critical accounting policies are those that are important to the portrayal of Clearwater's financial position and operations and may require management to make judgments based on underlying estimates and assumptions about future events and their effects. These estimates can include but are not limited to estimates regarding inventory valuation, accounts receivable valuation allowances, estimates of expected useful lives of vessels and plant facilities, and estimates of future cash flows for impairment tests. Underlying estimates and assumptions are based on historical experience and other factors that are believed by management to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the operating environment changes. Clearwater has considered recent market conditions including changes to its cost of capital in making these estimates. Refer to the notes to the annual financial statements for a complete listing of critical accounting policies and estimates used in the preparation of the consolidated financial statements.

Financial Reporting Controls and Procedures

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2014 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

The Management of Clearwater, with the participation of the CEO and the CFO (collectively "Management"), is responsible for establishing and maintaining adequate internal controls over financial reporting. Clearwater's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS").

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the CEO and the CFO have concluded that, as at December 31, 2014, Clearwater's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There have been no significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from July 5, 2015 to October 3, 2015, that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Adoption of new and revised standards

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

Annual Improvements to IFRS (2010 – 2012) and (2011-2013) cycles

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. These improvements had no impact on Clearwater.

Business combination accounting for interests in a joint operation (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 Financial Instruments

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.
Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Transfer of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a ‘business’ under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

RELATED PARTY TRANSACTIONS

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI.

The amount due from CFFI in respect of these transactions was $0.11 million (December 31, 2014 - $0.03 million), is unsecured and due on demand. As such the account has been classified as a current asset included in prepaids and other. The balance bears interest at a rate of 5%.

In September 2015, Clearwater entered into an agreement to sell an idle vessel to a joint venture which is accounted for under the equity method in Clearwater's consolidated financial statements. The estimated sales price of CDN $9.1 million dollars is the estimated book value at the time of the sale. This amount includes estimated costs for a refit on the vessel, which is to be completed by the Company prior to the sale to the joint venture. The sale is expected to close in the first quarter of 2016.

In addition, for the 13 and 39 weeks ended October 3, 2015 Clearwater expensed approximately $0.05 million and $0.12 million, respectively, for goods and services from companies related to its parent (September 27, 2014 - $0.05 million and $0.13 million, respectively). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at October 3, 2015 (December 31, 2014 - $ nil million).

Clearwater recorded sales commissions, management and administration fees, storage fees and sales to a non-controlling interest holder in a consolidated partnership. These sales commissions, management and administration fees, storage fees and sales are at negotiated prices and are settled on normal trade terms:

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Sales commissions	$ 1,070	$ 626	$ 2,817	$ 1,653
Management and	364	351	1,043	1,079
Storage fees	292	290	1,147	954
Sales	-	-	80	-

At October 3, 2015 Clearwater had a balance of $1.2 million (December 31, 2014- $1.0 million), included in long term receivables, for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

SUMMARY OF QUARTERLY RESULTS

The following table provides historical data for the ten most recently completed quarters.

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2015				
Sales	$ 75,362	$ 116,748	147,332	
Earnings (loss)	(28,336)	9,739	1,717	
Earnings (loss) per share ("EPS")	(0.57)	0.10	(0.08)	
Diluted earnings (loss) per share	(0.57)	0.10	(0.09)	
Fiscal 2014				
Sales	$ 77,771	$ 113,403	$ 134,069	$ 119,498
Earnings (loss)	(12,144)	18,850	2,959	130
Earnings (loss) per share ("EPS")	(0.27)	0.30	(0.02)	(0.07)
Diluted earnings (loss) per share	(0.27)	0.30	(0.02)	(0.07)
Fiscal 2013				
Sales	$ 68,297	$ 95,368	$ 113,982	$ 111,012
Earnings (loss)	(1,762)	(9,866)	27,224	(298)
Earnings (loss) per share ("EPS")	(0.06)	(0.24)	0.48	(0.06)
Diluted earnings (loss) per share[1]	(0.06)	(0.24)	0.47	(0.06)

1 - Diluted earnings (loss) per share are anti-dilutive for the 39 weeks ending October 3, 2015, and for all periods prior to 2014 except September 28, 2013. In the third quarter of 2013 the outstanding convertible debentures were redeemed.

For a more detailed analysis of each quarter's results, please refer to our quarterly reports and our annual reports.

In general, sales increased with each successive quarter with the highest revenues in the third quarter of each year.

Volatility in exchange rates can have a significant impact on earnings. The volatility is partially offset by Clearwater's foreign exchange management program.

Net loss in the first quarter of 2015 includes unrealized foreign exchange losses of $20.3 million on the translation of the US dollar denominated debt.

Earnings in the second quarter of 2014 include unrealized foreign exchange gains of $17.7 million on the translation of long term debt and marking forward contracts to market. This offsets the unrealized foreign exchange losses of $15.2 million on translation of long term debt and marking forward contracts to market incurred in the first quarter of 2014.

Earnings for the second quarter of 2013 include $3.3 million in future tax recovery and $9.2 million in debt settlement fees and write-downs of deferred financing charges related to the June 2013 refinancing.

NON- IFRS MEASURES, DEFINITIONS AND RECONCILIATIONS

Gross margin

Gross margin consists of sales less cost of goods sold which includes harvesting, distribution, direct manufacturing costs, manufacturing overhead, certain administration expenses and depreciation related to manufacturing operations.

Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA")

Adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net earnings and cash provided by operating activities, adjusted EBITDA is a useful supplemental measure from which to determine Clearwater's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends. In addition, as adjusted EBITDA is a measure frequently analyzed for public companies, Clearwater has calculated adjusted EBITDA in order to assist readers in this review. Adjusted EBITDA should not be construed as an alternative to net earnings determined in accordance with IFRS as a measure of liquidity, or as a measure of cash flows.

Adjusted EBITDA is defined as EBITDA excluding items such as severance charges, gains or losses on property, plant and equipment, gains or losses on quota sales, refinancing and reorganization costs. In addition recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts), have been excluded from the calculation of adjusted EBITDA. Unrealized gains and losses on forward exchange contracts relate to economic hedging on future operational transactions and by adjusting for them, the results more closely reflect the economic effect of the hedging relationships in the period to which they relate. In addition adjustments to stock based compensation have been excluded from adjusted EBITDA as they do not relate to the general operations of the business.

Reconciliation of net (loss) earnings to adjusted EBITDA for the 13 and 39 weeks ended and the rolling twelve months ended October 3, 2015, September 27, 2014 and September 28, 2013 is as follows:

	13 weeks ended		39 weeks ended		12 months Rolling		
	October 3 2015	September 27 2014	October 3 2015	September 27 2014	October 3 2015	September 27 2014	September 28 2013
Earnings (loss)	$ 1,717	$ 2,959	$ (16,879)	$ 9,668	$ (16,749)	$ 9,369	$ 26,114
Income taxes	3,277	2,949	2,527	4,548	3,928	5,535	(16,004)
Taxes and depreciation for equity investment	890	738	869	985	1,149	1,222	714
Depreciation and amortization	7,557	6,111	20,579	17,982	27,142	25,250	23,497
Interest on long-term debt and bank charges	5,282	3,670	14,329	11,224	18,820	15,075	18,287
Earnings before interest, taxes, depreciation and amortization	$ 18,723	$ 16,427	$ 21,425	$ 44,407	$ 34,290	$ 56,451	$ 52,608
Add (deduct) other items:							
Unrealized foreign exchange and derivative loss	20,093	9,254	46,446	6,765	56,969	17,612	3,769
Fair market value on long term debt	1,378	(272)	642	(777)	191	(1,785)	(829)
Realized foreign exchange (gain) loss on working capital	(3,356)	(845)	(5,590)	1,306	(5,724)	(1,143)	5,227
Restructuring and refinancing costs	3,228	217	5,244	1,851	5,374	1,851	10,726
Stock based compensation (recovery) expense	(1,255)	4,230	2,265	6,020	5,193	8,933	4,465
Loss (gain) on disposal of assets and quota	-	1,934	-	1,934	-	1,934	(398)
Loss on insurance claim	-	-	300	-	300	-	-
Adjusted EBITDA	**$ 38,811**	**$ 30,945**	**$ 70,732**	**$ 61,506**	**$ 96,593**	**$ 83,853**	**$ 75,568**
Adjusted EBITDA attributed to:							
Non-controlling interests	$ 7,559	$ 5,023	$ 17,253	$ 11,954	$ 22,016	$ 15,801	$ 13,571
Shareholders of Clearwater	31,252	25,922	53,479	49,552	74,577	68,052	61,997
	$ 38,811	**$ 30,945**	**$ 70,732**	**$ 61,506**	**$ 96,593**	**$ 83,853**	**$ 75,568**

Adjusted Earnings attributable to shareholders

To assist readers in estimating our earnings we have included a calculation of adjusted earnings. Management believes that in addition to earnings and cash provided by operating activities, adjusted earnings is a useful supplemental measure from which to determine Clearwater's earnings from operations and ability to generate cash available for debt service, working capital, capital expenditures, income taxes and dividends.

Reconciliation of net (loss) earnings to adjusted earnings for the 13 and 39 weeks ended and the rolling 12 months ended October 3, 2015 and September 27, 2014 is as follows:

	13 weeks ended		39 weeks ended		Rolling 12 months ended	
	October 3 2015	**September 27 2014**	**October 3 2015**	**September 27 2014**	**October 3 2015**	**September 27 2014**
Reconciliation of earnings to adjusted earnings						
Earnings (loss)	$ 1,717	$ 2,959	$ (16,879)	$ 9,668	$ (16,749)	$ 9,369
Add (subtract)						
Deferred tax assets booked related to prior years	-	(2,575)	-	(2,575)	-	(2,575)
Restructuring and refinancing costs	3,228	217	5,335	1,851	5,465	1,851
Stock based compensation (recovery) expense	(1,255)	4,230	2,265	6,020	5,193	8,933
Loss on insurance claim	-	-	300	-	300	-
Unrealized foreign exchange and derivative loss	20,093	9,254	46,446	6,766	56,969	17,613
Fair value on long-term debt	1,378	(272)	642	(778)	191	(1,786)
	23,444	10,854	54,988	11,284	68,118	24,036
Adjusted earnings	**$ 25,161**	**$ 13,813**	**$ 38,109**	**$ 20,952**	**$ 51,369**	**$ 33,405**
Adjusted earnings attributable to:						
Non-controlling interests	6,480	3,668	13,428	7,993	17,074	10,958
Shareholders	18,681	10,145	24,681	12,959	34,295	22,447
	$ 25,161	$ 13,813	$ 38,109	$ 20,952	$ 51,369	$ 33,405
Adjusted earnings per share:						
Weighted average of shares outstanding	59,959	54,978	56,693	54,720	N/A	N/A
Adjusted earnings per share for shareholders	0.31	0.18	0.44	0.24	N/A	N/A
Reconciliation of adjusted earnings to adjusted EBITDA						
Adjusted earnings	$ 25,161	$ 13,813	$ 38,109	$ 20,952	$ 51,369	$ 33,405
Add (subtract)						
Cash and deferred taxes	3,277	5,524	2,527	7,123	3,928	8,110
Depreciation and amortization	7,557	6,111	20,579	17,982	27,142	25,250
Interest on long-term debt and bank charges	5,282	3,670	14,329	11,224	18,820	15,075
Taxes and depreciation on equity investment	890	738	869	985	1,149	1,222
Realized foreign exchange on working capital	(3,356)	(845)	(5,590)	1,306	(5,724)	(1,143)
Other reorganizational costs	-	-	(91)	-	(91)	-
Loss on disposal of assets	-	1,934	-	1,934	-	1,934
	13,650	17,132	32,623	40,554	45,224	50,448
Adjusted EBITDA[1]	**$ 38,811**	**$ 30,945**	**$ 70,732**	**$ 61,506**	**$ 96,593**	**$ 83,853**

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

Leverage

Leverage is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Clearwater has calculated the amount in order to assist readers in this review. Leverage should not be construed as a measure of liquidity or as a measure of cash flows.

Leverage for banking purposes differs from the below calculations as agreements require the exclusion of certain cash from the calculation and EBITDA excludes non-controlling interests and most significant non-cash and non-recurring items. Clearwater is in compliance with all of the non-financial and financial covenants associated with its debt facilities.

Reconciliation of adjusted EBITDA (excluding non-controlling interest) to debt (net of deferred financing charges) for the rolling twelve months ended October 3, 2015, December 31, 2014, September 27, 2014 and September 28, 2013 is as follows:

In 000's of Canadian dollars		October 3	December 31	September 27	September 28
As at		2015	2014	2014	2013
Adjusted EBITDA[1] (excluding non-controlling interest)	$	74,577	$ 70,650	$ 68,052	$ 61,997
Debt[2] (excluding non-controlling interest)					
(net of deferred financing charges of $0.6 million (December 31, 2014 - $0.6 million) (September 27, 2014 - $0.6 million)		325,039	272,554	267,848	251,552
Less cash (excluding non-controlling interest)		(36,610)	(40,712)	(20,069)	(9,666)
Net debt	$	288,429	$ 231,842	$ 247,779	$ 241,886
Leverage		3.9	3.3	3.6	3.9

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

2 - Debt at October 3, 2015 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015.

Free cash flows

Free cash flow is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that in addition to net earnings and cash provided by operating activities, free cash flow is a useful supplemental measure from which to determine Clearwater's ability to generate cash available for debt service, working capital, capital expenditures and distributions. Free cash flow should not be construed as an alternative to net earnings determined in accordance with IFRS, as a measure of liquidity, or as a measure of cash flows.

Free cash flow is defined as cash flows from operating activities, less planned capital expenditures (net of any borrowings of debt designated to fund such expenditures), scheduled payments on long term debt and distributions to non-controlling interests. Items excluded from the free cash flow include discretionary items such as debt refinancing and repayments changes in the revolving loan and discretionary financing, investing activities and cash settled stock based compensation.

Reconciliation for the 13 and 39 weeks ended and the rolling twelve months ended October 3, 2015, September 27, 2014 and September 28, 2013 is as follows:

	13 weeks ended		39 weeks ended		12 months Rolling		
	October 3 2015	September 27 2014	October 3 2015	September 27 2014	October 3 2015	September 27 2014	September 28 2013
Adjusted EBITDA[1]	$ 38,811	$ 30,945	$ 70,732	$ 61,506	$ 96,593	$ 83,853	$ 75,568
Less:							
Cash Interest	(4,964)	(3,477)	(13,535)	(10,650)	(17,823)	(14,307)	(17,131)
Cash taxes	67	(425)	(2,633)	(2,210)	(3,008)	(2,480)	(1,984)
Other income and expense items	(2,733)	(1,917)	(663)	(4,505)	(1,452)	(3,991)	(2,918)
Operating cash flow before changes in working capital	31,181	25,126	53,901	44,141	74,310	63,075	53,535
Changes in working capital	(20,458)	(10,183)	(52,228)	(24,095)	(24,657)	5,721	(2,930)
Cash flows from operating activities	**10,723**	**14,943**	**1,673**	**20,046**	**49,653**	**68,796**	**50,605**
Uses of cash:							
Purchase of property, plant, equipment, quota and other assets	(7,513)	(11,576)	(59,098)	(70,508)	(71,900)	(81,690)	(16,851)
Disposal of fixed assets	42	-	67	5	67	5	978
Less: Designated borrowings[A]	3,767	5,653	34,866	52,414	45,883	58,644	1,469
Scheduled payments on long-term debt	(1,408)	(1,420)	(3,792)	(2,155)	(9,997)	(3,521)	(3,495)
Payments on long-term incentive plans	-	-	8,953	-	8,953	-	-
Dividends received from joint venture	-	-	-	1,490	-	1,490	2,980
Distribution to non-controlling interests	(1,854)	(1,390)	(9,036)	(7,646)	(11,816)	(11,353)	(10,487)
Free cash flows[1]	**$ 3,757**	**$ 6,210**	**$ (26,367)**	**$ (6,354)**	**$ 10,843**	**$ 32,371**	**$ 25,199**
Add/(less):							
Other debt borrowings (repayments) of debt, use of cash[B]	(3,767)	(930)	(12,161)	(49,344)	(23,215)	(56,849)	(23,851)
Issuance of equity	-	-	58,628	32,487	58,628	32,487	-
Payments on long-term incentive plans	-	-	(8,953)	-	(8,953)	-	-
Other investing activities	976	3,302	(4,897)	2,287	(5,379)	1,901	(790)
Other financing activities	(2,398)	(1,374)	(6,796)	(2,749)	(8,445)	(2,749)	-
Change in cash flows for the period	$ (1,432)	$ 7,208	$ (546)	$ (23,673)	$ 23,479	$ 7,161	$ 558

A – Designated borrowings relate to capital projects for which there is long-term financing and therefore they will not be financed with operating cash flows. For the periods covered in this table includes a conversion of a vessel for Argentina, the addition of a third clam vessel, a late life refit on a shrimp vessel and the conversion of a new research vessel. For the purpose of free cash flow calculations the amount invested (up to the total amount of the related financing) during the period on these projects is backed out of the calculation of free cash flows irrespective of the timing of the related borrowing.

B – Other debt borrowings (repayments) of debt, use of cash for the third quarter of 2015 includes $3.8 million of cash invested in designated capital projects.

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

Return on Assets

Return on assets is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes that return on assets measures the efficiency of the use of total assets to generate income. Return on assets should not be construed as an alternative to net earnings determined in accordance with IFRS.

Return on assets is defined as the ratio of adjusted earnings before interest and taxes ("EBIT") to average total assets including all working capital assets.

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended October 3, 2015, September 27, 2014 and September 28, 2013 is as follows:

In (000's) of Canadian dollars	October 3 2015	September 27 2014	September 28 2013
Adjusted EBITDA[1]	$ 96,593	$ 83,853	$ 75,568
Depreciation and amortization	26,968	23,741	23,936
Adjusted earnings before interest and taxes	69,625	60,112	51,632
Total Assets	$ 560,549	$ 465,503	$ 414,166
	12.4%	12.9%	12.5%

1 – Refer to discussion on non-IFRS measures, definitions and reconciliations

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Financial Position

unaudited

(In thousands of Canadian dollars)

As at		October 3, 2015		December 31, 2014
ASSETS				
Current assets				
Cash	**$**	**46,043**	$	47,598
Trade and other receivables		**80,893**		49,812
Inventories		**62,817**		40,056
Prepaids and other		**4,382**		5,508
Contract derivative financial instruments (Note 5)		**2,840**		5,312
		196,975		148,286
Non-current assets				
Long-term receivables		**7,407**		3,872
Other assets		**429**		288
Property, plant and equipment		**226,471**		186,017
Licences and fishing rights (Note 12)		**100,050**		98,742
Investment in equity investee		**8,166**		6,198
Deferred tax assets		**15,413**		15,356
Goodwill		**5,638**		5,638
		363,574		316,111
TOTAL ASSETS	**$**	**560,549**	$	464,397
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**59,790**	$	52,308
Income tax payable		**1,235**		1,367
Current portion of long-term debt (Note 4)		**19,117**		22,847
Contract derivative financial instruments (Note 5)		**19,425**		8,691
		99,567		85,213
Non-current liabilities				
Long-term debt (Note 4)		**305,971**		250,194
Other long-term liabilities		**667**		-
Deferred tax liabilities		**994**		1,003
		307,632		251,197
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**155,895**		97,267
Contributed surplus (Note 10)		**363**		-
Retained earnings (deficit)		**(26,262)**		11,084
Accumulated other comprehensive loss		**(5,064)**		(5,326)
		124,932		103,025
Non-controlling interest		**28,418**		24,962
		153,350		127,987
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$**	**560,549**	$	464,397

Events after the reporting period(Note 14)

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Earnings
unaudited
(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Sales	**$ 147,332**	$ 134,069	**$ 339,442**	$ 325,244
Cost of goods sold	**100,482**	100,073	**250,354**	252,260
	46,850	33,996	**89,088**	72,984
Administrative and selling costs	**10,130**	16,058	**34,511**	35,248
Net finance costs (Note 5 (d))	**16,397**	12,889	**43,102**	22,440
Losses on contract derivatives (Note 5 (f))	**14,287**	945	**24,077**	3,113
Other income	**619**	(2,437)	**591**	(3,410)
Research and development	**423**	633	**1,159**	1,377
	41,856	28,088	**103,440**	58,768
Earnings (loss) before income taxes	**4,994**	5,908	**(14,352)**	14,216
Income tax expense	**3,277**	2,949	**2,527**	4,548
Earnings (loss) for the period	**$ 1,717**	$ 2,959	**$ (16,879)**	$ 9,668
Earnings (loss) attributable to:				
Non-controlling interest	**$ 6,485**	$ 4,076	**$ 13,670**	$ 8,585
Shareholders of Clearwater	**(4,768)**	(1,117)	**(30,549)**	1,083
	$ **1,717**	$ 2,959	$ **(16,879)**	$ 9,668
Basic earnings (loss) per share (Note 6)	**$** (0.08)	**$** (0.02)	**$** (0.54)	**$** 0.02
Diluted earnings (loss) per share (Note 6)	**$** (0.09)	**$** (0.02)	**$** (0.54)	**$** 0.02

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Other Comprehensive Income

unaudited

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Earnings (loss) for the period	**$ 1,717**	$ 2,959	**$ (16,879)**	$ 9,668
Other comprehensive income (loss) -				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations	**73**	3	**328**	(1,549)
Total comprehensive income (loss) for the period	**$ 1,790**	$ 2,962	**$ (16,551)**	$ 8,119
Total comprehensive income (loss) attributable to:				
Non-controlling interest	**$ 6,499**	$ 4,352	**$ 13,736**	$ 8,002
Shareholders of Clearwater	**(4,709)**	(1,390)	**(30,287)**	117
	$ 1,790	$ 2,962	**$ (16,551)**	$ 8,119

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Shareholders' Equity
unaudited

(In thousands of Canadian dollars)

	Common shares	Contributed Surplus	Retained earnings (deficit)	Other Comprehensive Income (loss)	Non-controlling interest	Total
Balance at January 1, 2014	**$ 64,780**	**$ -**	**$ 19,762**	**$ (5,470)**	**$ 24,669**	**$ 103,741**
Total comprehensive income (loss) for the period	-	-	1,083	(966)	8,002	8,119
Transactions recorded directly in equity						
Issuance of common shares	32,487	-	-	-	-	32,487
Distributions to non-controlling interest	-	-	-	-	(7,865)	(7,865)
Redemption of 2014 convertible debentures	-	-	(4,123)	-	-	(4,123)
Total transactions with owners	32,487	-	(4,123)	-	(7,865)	20,499
Balance at September 27, 2014	**$ 97,267**	**$ -**	**$ 16,722**	**$ (6,436)**	**$ 24,806**	**$ 132,359**
Total comprehensive income (loss) for the period	-	-	(3,988)	1,110	3,368	490
Transactions recorded directly in equity						
Distributions to non-controlling interest	-	-	-	-	(3,212)	(3,212)
Dividends declared on common shares	-	-	(1,650)	-	-	(1,650)
Total transactions with owners	-	-	(1,650)	-	(3,212)	(4,862)
Balance at December 31, 2014	**$ 97,267**	**$ -**	**$ 11,084**	**$ (5,326)**	**$ 24,962**	**$ 127,987**
Total comprehensive income (loss) for the period	-	-	(30,549)	262	13,736	(16,551)
Transactions recorded directly in equity						
Issuance of common shares	58,628	-	-	-	-	58,628
Share-based payments	-	363	-	-	-	363
Distributions to non-controlling interest	-	-	-	-	(10,280)	(10,280)
Dividends declared on common shares	-	-	(6,797)	-	-	(6,797)
Total transactions with owners	58,628	363	(6,797)	-	(10,280)	41,914
Balance at October 3, 2015	**$ 155,895**	**$ 363**	**$ (26,262)**	**$ (5,064)**	**$ 28,418**	**$ 153,350**

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Cash Flows

unaudited

(In thousands of Canadian dollars)

		13 weeks ended				39 weeks ended		
		October 3, 2015		**September 27, 2014**		**October 3, 2015**		**September 27, 2014**
Operating								
Earnings (loss) for the period	**$**	**1,717**	$	2,959	**$**	**(16,879)**	$	9,668
Adjustments for:								
Depreciation and amortization		**7,818**		6,520		**20,973**		17,759
Net finance costs and unrealized derivative losses		**26,758**		12,657		**61,405**		17,205
Income tax expense		**3,277**		2,949		**2,527**		4,548
Share-based compensation		**(1,255)**		4,230		**2,265**		6,020
Impairment of property, plant and equipment and goodwill (Note 12)		**-**		1,934		**-**		1,934
(Gain) loss on disposal of property, plant, and equipment, and other assets		**(19)**		79		**(27)**		76
Earnings in equity investee		**(2,033)**		(1,822)		**(1,968)**		(2,373)
Foreign exchange and other		**796**		(482)		**1,898**		1,525
		37,059		29,024		**70,194**		56,362
Change in operating working capital (Note 13)		**(18,622)**		(7,906)		**(53,633)**		(24,656)
Interest paid		**(6,799)**		(5,754)		**(12,129)**		(10,087)
Income tax paid		**(915)**		(421)		**(2,759)**		(1,573)
	$	**10,723**	$	14,943	**$**	**1,673**	$	20,046
Financing								
Repayment of long-term debt		**(1,408)**		(1,388)		**(11,087)**		(2,122)
Proceeds from long-term debt		**-**		4,723		**30,000**		4,723
Net proceeds from common share issue		**-**		-		**58,628**		32,487
Proceeds of revolving credit facility		**-**		(33)		**-**		(33)
Distributions paid to non-controlling interest		**(1,854)**		(1,390)		**(9,036)**		(7,646)
Advances to minority partners		**(473)**		(268)		**(1,335)**		(818)
Dividends paid on common shares		**(2,398)**		(1,374)		**(6,797)**		(4,123)
	$	**(6,133)**	$	270	**$**	**60,373**	$	22,468
Investing								
Purchase of property, plant and equipment		**(7,513)**		(11,576)		**(59,098)**		(70,508)
Proceeds on disposal of property, plant and equipment		**42**		-		**67**		5
Dividends received from equity investee		**-**		-		**-**		1,490
Purchase of other assets		**-**		-		**(39)**		(65)
Net advances in long term receivables		**1,449**		3,571		**(3,522)**		2,891
	$	**(6,022)**	$	(8,005)	**$**	**(62,592)**	$	(66,187)
(DECREASE) INCREASE IN CASH	**$**	**(1,432)**	$	7,208	**$**	**(546)**	$	(23,673)
CASH, BEGINNING OF PERIOD		**47,908**		16,369		**47,598**		46,793
Effect of foreign exchange rate changes on cash		**(433)**		113		**(1,009)**		570
CASH, END OF PERIOD	**$**	**46,043**	$	23,690	**$**	**46,043**	$	23,690

See the accompanying notes to the condensed consolidated interim financial statements

1. DESCRIPTION OF THE BUSINESS

Clearwater Seafoods Incorporated ("Clearwater") was incorporated on July 7, 2011 and is domiciled at 757 Bedford Highway, Bedford, Nova Scotia, Canada.

Clearwater's sole investment is the ownership of 100% of the partnership units of Clearwater Seafoods Limited Partnership ("CSLP"), which holds the underlying investments in subsidiaries and joint ventures.

The condensed consolidated interim financial statements of Clearwater as at October 3, 2015 and December 31, 2014 and for the 13 and 39 weeks ended October 3, 2015 and September 27, 2014 comprise the company, its subsidiaries and a joint venture. Clearwater's business includes the ownership and operation of assets and property in connection with the harvesting, processing, distribution and marketing of seafood.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board and should be read in conjunction with the annual audited financial statements and the accompanying notes for the year ended December 31, 2014 (included in Clearwater's 2014 Annual Report) which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by Clearwater's Board of Directors on November 13, 2015.

The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices consistent with those used in the preparation of the annual audited December 31, 2014 financial statements, except as described below.

(b) Accounting for share-based compensation

On May 12, 2015, the company amended the terms of its performance share unit ("PSU") plan. Under the plan, holders of PSU units receive settlement amounts measured based upon the relative performance of Clearwater shares to its pre-defined peer group. Performance is based on the total return to shareholders over the defined period.

Under the original terms of the PSU plan, vested units were to be settled in cash at the end of the performance period. Under the amended terms of the PSU plan, vested units are to be settled in cash or shares or by a combination thereof. Prior grants will continue to be cash-settled, and all future grants under the PSU plan, including the awards granted in the second quarter of 2015, will be settled by the issuance of shares.

Cash-settled PSU awards are recorded as liabilities at fair market value at each reporting period with changes in fair value recorded to profit and loss. Equity-settled PSU awards are measured at fair market value on the grant date of the awards. The fair value of the PSU's are calculated using a Monte Carlo simulation model. Compensation expense is recognized based on the fair value of the awards that are expected to vest and remain outstanding at the end of the reporting period. Clearwater estimates the expected forfeiture rate for each plan and adjusts for actual forfeitures in the period.

The share-based compensation liability related to cash-settled PSU's is included in trade and other payables in the consolidated statement of financial position. Compensation expense related to the equity-settled PSU's is recorded as contributed surplus in equity. The related compensation expense for both cash-settled and equity-settled PSU's is recorded in administrative expense in the statement of earnings over the vesting period.

(c) Application of new and revised International Financial Reporting Standards (IFRSs)

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2015. These changes were made in accordance with the applicable transitional provisions.

Annual Improvements to IFRS (2010 – 2012) and (2011 – 2013) cycles

On December 12, 2013 the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. These improvements had no impact on Clearwater.

(d) New accounting standards

Business combination accounting for interests in a joint operation (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The Company intends to adopt the amendments to IFRS 11 in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – Financial Instruments

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.
Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Transfer of assets between an investor and its associate or joint venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and JVs the parent recognises the gain only to the extent of unrelated investors' interests in the associate or JV.

The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 *Business Combinations*. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

Annual Improvements to IFRS (2012 – 2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined. The Company does not expect the amendments to have a material impact on the financial statements. The Company does not expect the amendments to have a material impact on the financial statements.

Disclosure Initiative

On December 18, 2014 the IASB issued amendments to IAS 1 *Presentation of Financial Statements* as part of its major initiative to improve presentation and disclosure in financial reports. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(e) Critical judgments and estimates in applying accounting policies

In preparing these condensed consolidated interim financial statements, the significant judgments made in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended December 31, 2014, (refer to Note 2(d) of the 2014 annual audited consolidated financial statements) with the exception of changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim periods are accrued using the expected effective annual income tax rate.

3. SEASONALITY

Clearwater's operations experience a reasonably predictable seasonal pattern in which sales and gross margins are higher in the second half of the year and investments in capital expenditures and working capital are lower, resulting in higher cash flows in the second half of the year. This typically results in lower cash flow and higher debt balances in the first half of the year.

(Tabular amounts are in thousands of Canadian dollars)

4. LONG-TERM DEBT

As at		October 3, 2015		December 31, 2014
Term loans (a)				
Term loan A, due June 2018	**$**	**27,259**	$	28,950
Term loan A, Delayed draw, due June 2018		**28,979**		(608)
Term loan B, due June 2019		**246,445**		224,366
Term loan B, embedded derivative		**4,972**		3,845
Term loan, due June 2016 (b)		**13,200**		11,595
Multi-currency revolving facility (c)		**-**		21
Marine mortgage, due in 2017		**439**		1,030
Term loan, due in 2091 (d)		**3,500**		3,500
Other loans		**294**		342
		325,088		273,041
Less: current portion		**(19,117)**		(22,847)
	$	**305,971**	$	250,194

(a) Term loans consist of a CDN $30.0 million Term Loan A facility, a CDN $30.0 million Delayed Draw Term Loan A facility, and a USD $200.0 million Term Loan B facility.

Term Loan A - The principal outstanding as at October 3, 2015 was CDN $27.3 million (December 31, 2014 - $29.0 million). The balance is shown net of deferred financing charges of CDN $0.1 million. The loan is repayable in quarterly installments of CDN $0.4 million to June 2017, and CDN $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at October 3, 2015 this resulted in an effective rate of 3.99%.

Delayed Draw Term Loan A - The principal outstanding as at October 3, 2015 was CDN $29.0 million (December 31, 2014 - $ nil). The balance is shown net of deferred financing charges of CDN $0.6 million. The facility is repayable in quarterly installments of 1.25% of the principal amount drawn under the facility. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%. As at October 3, 2015 this resulted in an effective rate of 3.99%.

Term Loan B - The principal outstanding as at October 3, 2015 was USD $190.3 million (December 31, 2014 - $196.8 million). The balance is shown net of deferred financing charges of USD $0.7 million. The loan is repayable in quarterly installments of USD $0.5 million with the balance due at maturity in June 2019 and bears interest payable monthly at the US Libor plus 3.50% with a Libor interest rate floor of 1.25%. As of October 3, 2015 this resulted in an effective rate of 4.75%. In late October 2015, Clearwater exercised a provision that allowed it to borrow an additional CAD $75 million on this facility. The facility has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of USD $25.0 million (or the equivalent amount in Canadian dollars). The embedded derivative represents the fair market value of the Libor interest rate floor of 1.25%. The change in fair market value of the embedded derivative was recorded through profit or loss as a component of net finance costs.

In addition, Clearwater has a CDN $75.0 million revolving facility that matures in June 2018. In late October 2015, Clearwater exercised a provision that allowed it to borrow an additional CDN $25.0 million. The facility can be denominated in Canadian and US dollars. As at October 3, 2015 the balances were Canadian $ nil (December 31, 2014 - $ nil) and US dollars of $ nil (December 31, 2014 - $ nil). The Canadian dollar balances bear interest at the banker's acceptance rate plus 3.25%. The US dollar balances bear interest at the US Libor rate plus 3.25%. As of October 3, 2015 this results in effective rates of 3.99% for Canadian dollar balances and 3.57% for US dollar balances. The availability of this facility is reduced by the term loan outstanding in note (b), as such the balance available as at October 3, 2015 was $61.8 million.

The revolver, term loan A, delayed draw and term loan B are secured by a first charge on cash and cash equivalents, accounts receivable, inventories, marine vessels, licenses and quotas, and Clearwater's investments in certain subsidiaries.

Clearwater's debt facilities are subject to certain financial and non-financial covenants. Clearwater is in compliance with all covenants associated with its debt facilities.

In addition to the minimum principal payments for Term Loan A and B, the loan agreement requires between 0% and 50% of excess cash flow (defined in the loan agreement as EBITDA, excluding non-controlling interest in EBITDA and certain other non-cash and non-recurring items less certain scheduled principal payments, certain capital expenditures and certain cash taxes) be repaid starting for the year ended December 31, 2014 based on the previous fiscal year's results upon approval of the annual financial statements. Payments are allocated amongst the term loans on a pro rata basis. In 2015, Clearwater repaid $7.3 million in principal relating to this requirement.

Refer to note 5(b) for detail on interest rate caps and swaps that economically hedge interest rate risk on the term loans.

(b) Term Loan - The principal outstanding as at October 3, 2015 was USD $10.0 million (December 31, 2014 - USD $10.0 million). The loan is held through a Clearwater subsidiary. The loan is non amortizing, repayable at maturity in June 2016 and bears interest payable monthly at 8.0%. The loan is secured by a marine vessel. Clearwater provides a guarantee on the term loan.

(c) The multi-currency revolving facility allows Clearwater to borrow a maximum of DKK 42.4 million and can be denominated in either DKK or Canadian and US dollar equivalents. The principal availability reduces by the equivalent of DKK 10.6 million per year on June 30, 2016 and each anniversary thereafter until the loan is fully repaid. As at October 3, 2015 the balance of the revolving facility was DKK nil million (December 31, 2014 - DKK 0.1 million and Canadian equivalent of $0.02 million). The facility bears interest in the same currency as the currency in which the principal balance is denominated. The interest is payable on the last day of each fiscal quarter at the N-bor rate applicable to the currency of the facility plus 1.875%. The N-bor rate is a variable interest rate as designated by the lender.

(d) Term Loan - due in 2091. In connection with this loan, Clearwater makes a royalty payment of $0.3 million per annum in lieu of interest. This equates to an effective interest rate of approximately 8.0%.

(Tabular amounts are in thousands of Canadian dollars)

5. FINANCIAL INSTRUMENTS

The Company periodically enters into derivatives as part of an active economic hedging program to manage financial risks. The Company has elected not to use hedge accounting for these instruments and consequently changes in fair value are recorded in earnings as they occur:

Summary of derivative financial instrument positions:

As at		**October 3, 2015**		**December 31, 2014**
Derivative financial assets				
Forward foreign exchange contracts	**$**	**56**	$	4,678
Interest rate cap and floor contracts		**2,784**		634
	$	**2,840**	$	5,312
Derivative financial liabilities				
Forward foreign exchange contracts		**(9,288)**		(5,469)
Interest rate and cross-currency swap contracts		**(10,137)**		(3,222)
	$	**(19,425)**	$	(8,691)

(a) Clearwater has forward contracts maturing each month until August 2016. At October 3, 2015 Clearwater had outstanding forward contracts as follows:

Currency	Foreign currency notional amount (in 000's)	Average contract exchange rate	Weighted average months to maturity		Fair value asset (liability)
Sell:					
Euro	5,000	1.503	10	$	47
USD	5,500	1.321	10		3
Yen	220,000	0.011	10		6
				$	56
Sell:					
Euro	36,200	1.402	4		(2,618)
USD	59,800	1.194	4		(4,694)
Yen	2,603,000	0.010	4		(1,976)
				$	(9,288)

(Tabular amounts are in thousands of Canadian dollars)

At December 31, 2014, Clearwater had outstanding forward contracts as follows:

Currency	Foreign currency notional amount (in 000's)	Average contract exchange rate	Weighted average months to maturity	Fair value asset (liability)	
Sell:					
Euro	48,500	1.463	8	$	2,892
Yen	3,155,000	0.01	8		1,786
				$	4,678
Sell:					
USD	103,600	1.100	8		(5,469)
				$	(5,469)

Certain USD forward contracts contain provisions that, subject to the spot rate being greater than the contract rate, the contract rate is adjusted by 50% or 25% (December 31, 2014 - 50%) of the excess of the spot rate over the contract rate at maturity. The notional amount of the forward contracts subject to the contract rate being adjusted by 50% in US dollars at October 3, 2015 was $26.1 million (December 31, 2014 - $35.6 million). The notional amount of the forward contracts subject to the contract rate being adjusted by 25% in US dollars at October 3, 2015 was $13.2 million (December 31, 2014 - $ nil).

(b) During the 13 and 39 weeks ended October 3, 2015, Clearwater entered into an interest rate floor contract and a cross-currency swap contract in order to mitigate the risk of currency fluctuations relating to its USD debt obligations.

At October 3, 2015 Clearwater had cross-currency swap contracts and interest rate cap, floor and swap contracts outstanding as follows:

	Effective date	Expiry date	Contracted interest rate	Currency	Notional amount (in 000's)	Fair value asset	
Term Loan A - Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000	$	-
Term Loan A - Interest rate cap	March 2014	December 2015	4.50%	CAD	12,000		-
Term Loan B - Interest rate cap	March 2014	December 2015	4.75%	USD	50,000		-
Term Loan B - Interest rate cap	September 2014	June 2016	4.75%	USD	50,000		1,159
Term Loan B - Interest rate floor	October 2015	June 2018	LIBOR + 1.25%	USD	75,000		1,625
						$	2,784

(Tabular amounts are in thousands of Canadian dollars)

	Effective date	Expiry date	Contracted interest rate	Currency	Notional amount (in 000's)	Fair value (liability)
Term Loan A - Interest rate swap	December 2013	December 2015	5.38%	CAD	12,000	$ (40)
Term Loan A - Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	(510)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(3,484)
Term Loan B - Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(3,367)
Term Loan B - Cross-currency swap	October 2015	June 2018	CAD Banker's Acceptance + 4.41%	CAD	99,263	(2,736)
						$ (10,137)

(c) At December 31, 2014 Clearwater had an interest rate cap and swap contract outstanding as follows:

	Effective Date	Expiry Date	Contracted capped interest rate	Currency	Notional Amount (in 000's)	Fair Value Asset
Term Loan A - Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000	$ 6
Term Loan A - Interest rate cap	March 2014	December 2015	4.50%	CAD	12,000	18
Term Loan B - Interest rate cap	March 2014	December 2015	4.75%	USD	50,000	16
Term Loan B - Interest rate cap	September 2014	June 2016	4.75%	USD	50,000	594
						$ 634

	Effective Date	Expiry Date	Contracted fixed interest rate	Currency	Notional Amount (in 000's)	Fair Value (Liability)
Term Loan A - Interest rate swap	December 2013	December 2015	5.38%	CAD	12,000	$ (95)
Term Loan A - Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	(253)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(1,231)
Term Loan B - Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(1,643)
						$ (3,222)

(Tabular amounts are in thousands of Canadian dollars)

(d) Net finance costs

	13 weeks ended October 3, 2015	13 weeks ended September 27, 2014	39 weeks ended October 3, 2015	39 weeks ended September 27, 2014
Interest expense on financial liabilities	**$ 4,964**	$ 3,477	**$ 13,536**	$ 10,650
Amortization of deferred financing charges and accretion	**318**	193	**793**	574
	5,282	3,670	**14,329**	11,224
Fair value adjustment on embedded derivative	**1,378**	(272)	**642**	(777)
Foreign exchange loss on debt and working capital	**9,737**	9,391	**28,031**	11,893
Debt refinancing fees	**-**	100	**100**	100
	$ 16,397	$ 12,889	**$ 43,102**	$ 22,440

(e) Foreign exchange on long-term debt and working capital per note 5 (d)

	13 weeks ended October 3, 2015	13 weeks ended September 27, 2014	39 weeks ended October 3, 2015	39 weeks ended September 27, 2014
Realized (gain) loss				
Working capital and other	**$ (3,356)**	$ (845)	**$ (5,590)**	$ 1,306
Unrealized loss				
Foreign exchange on debt and other assets	**13,093**	10,236	**33,621**	10,587
	$ 9,737	$ **9,391**	**$ 28,031**	$ **11,893**

(Tabular amounts are in thousands of Canadian dollars)

(f) Losses on contract derivatives

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Realized loss				
Forward exchange contracts	**$ 7,287**	$ 1,927	**$ 11,252**	$ 6,935
Unrealized (gain) loss				
Forward exchange contracts	**3,814**	(1,239)	**8,061**	(5,062)
Interest rate swaps and caps	**3,186**	257	**4,764**	1,240
	7,000	(982)	**12,825**	(3,822)
	$ 14,287	$ 945	**$ 24,077**	$ 3,113

(Tabular amounts are in thousands of Canadian dollars)

(g) Fair value of financial instruments

The following tables set out Clearwater's classification and carrying amount, together with fair value, for each type of non-derivative and derivative financial asset and liability:

As at October 3, 2015	Fair value: Through profit or loss	Fair value: Derivatives	Amortized cost: Loans and receivables	Amortized cost: Non-derivative financial liabilities	Total: Carrying amount	Total: Fair value
Assets:						
Cash	$ 46,043	$ -	$ -	$ -	**$ 46,043**	**$ 46,043**
Trade and other receivables	-	-	80,893	-	**80,893**	**80,893**
Long-term receivables	-	-	7,407	-	**7,407**	**7,407**
Forward foreign exchange contracts	-	56	-	-	**56**	**56**
Interest rate caps and floor	-	2,784	-	-	**2,784**	**2,784**
	$ 46,043	$ 2,840	$ 88,300	$ -	**$ 137,183**	**$ 137,183**
Liabilities:						
Trade and other payables [1]	$ -	$ -	$ -	$ (50,945)	**$ (50,945)**	**$ (50,945)**
Long-term debt	-	-	-	(320,116)	**(320,116)**	**(321,893)**
Forward foreign exchange contracts	-	(9,288)	-	-	**(9,288)**	**(9,288)**
Embedded derivative	-	(4,972)	-	-	**(4,972)**	**(4,972)**
Interest rate and cross-currency swaps	-	(10,137)	-	-	**(10,137)**	**(10,137)**
	$ -	$ (24,397)	$ -	$ (371,061)	**$ (395,458)**	**$ (397,235)**

As at December 31, 2014	Fair value: Through profit or loss	Fair value: Derivatives	Amortized cost: Loans and receivables	Amortized cost: Non-derivative financial liabilities	Total: Carrying amount	Total: Fair value
Assets :						
Cash	$ 47,598	$ -	$ -	$ -	**$ 47,598**	**$ 47,598**
Trade and other receivables	-	-	49,812	-	**49,812**	**49,812**
Long-term receivables	-	-	3,872	-	**3,872**	**3,872**
Forward foreign exchange contracts	-	4,678	-	-	**4,678**	**4,678**
Interest rate cap	-	634	-	-	**634**	**634**
	$ 47,598	$ 5,312	$ 53,684	$ -	**$ 106,594**	**$ 106,594**
Liabilities:						
Trade and other payables [1]	$ -	$ -	$ -	$ (36,366)	**$ (36,366)**	**$ (36,366)**
Long-term debt	-	-	-	(269,196)	**(269,196)**	**(269,058)**
Forward foreign exchange contracts	-	(5,469)	-	-	**(5,469)**	**(5,469)**
Embedded derivative	-	(3,845)	-	-	**(3,845)**	**(3,845)**
Interest rate swaps	-	(3,222)	-	-	**(3,222)**	**(3,222)**
	$ -	$ (12,536)	$ -	$ (305,562)	**$ (318,098)**	**$ (317,960)**

1 - Trade and other payables excludes the liability for share based compensation of $ 8.8 million at October 3, 2015 (December 31, 2014 - $15.9 million).

(Tabular amounts are in thousands of Canadian dollars)

Fair value hierarchy:

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The levels are defined as follows:

- Level 1: Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below sets out fair value measurements of financial instruments carried at fair value through profit and loss using the fair value hierarchy:

As at October 3, 2015	Level 1	Level 2	Level 3
Recurring measurements			
Financial assets:			
Cash	$ 46,043	$ -	$ -
Forward foreign exchange contracts	-	56	-
Interest rate caps and floor	-	2,784	-
	$ 46,043	$ 2,840	$ -
Financial liabilities:			
Forward foreign exchange contracts	$ -	$ (9,288)	$ -
Embedded derivative	-	(4,972)	-
Interest rate and cross-currency swaps	-	(10,137)	-
	$ -	$ (24,397)	$ -

(Tabular amounts are in thousands of Canadian dollars)

As at December 31, 2014	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	47,598	-	-
Forward foreign exchange contracts	-	4,678	-
Interest rate caps	-	634	-
	$ 47,598	$ 5,312	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(5,469)	-
Embedded derivative	-	(3,845)	-
Interest rate swaps	-	(3,222)	-
	$ -	$ (12,536)	$ -

Clearwater used the following techniques to value financial instruments categorized in Level 2:

- Forward foreign exchange contracts are measured using present value techniques. Future cash flows are estimated based on forward exchange rates (from observable exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of Clearwater and the various counterparties and the risk free yield curves of the respective currencies.

- The embedded derivative, interest rate swaps, caps and floors and cross-currency swaps are measured using present value techniques that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs.

  The fair value estimates are not necessarily indicative of the amounts that Clearwater will receive or pay at the settlement of the contracts.

There were no transfers between levels during the periods ended October 3, 2015 and December 31, 2014.

For cash, trade and other receivables, and trade and other payables, the carrying value approximates their fair value due to the short-term maturity of these instruments. The fair value of the long term receivables is not materially different from their carrying value.

Fair value of financial instruments carried at amortized cost:

Except as detailed below Clearwater considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements materially approximate their fair values:

The estimated fair value of Clearwater's long term debt for which carrying value did not approximate fair value at October 3, 2015 was $18.2 million (December 31, 2014 - $16.3 million) and the carrying value was $17.4 million (December 31, 2014 – $16.5 million). The fair value of long-term debt has been classified as level 2 in the fair value hierarchy and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

6. EARNINGS (LOSS) PER SHARE

The earnings and weighted average number of shares used in the calculation of basic and diluted earnings (loss) per share is as follows: (in thousands except per share data):

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Basic				
Earnings (loss) for the period	**$ (4,768)**	$ (1,117)	**$ (30,549)**	$ 1,083
Weighted average number of shares outstanding	**59,958,998**	54,978,098	**56,692,538**	54,720,055
Earnings (loss) per share	**$ (0.08)**	$ (0.02)	**$ (0.54)**	$ 0.02
Diluted				
Earnings (loss) for the period	**$ (5,408)**	$ (1,117)	**$ (30,549)**	$ 1,083
Weighted average number of shares outstanding	**60,399,138**	54,978,098	**56,692,538**	54,720,055
Earnings (loss) per share	**$ (0.09)**	$ (0.02)	**$ (0.54)**	$ 0.02

The revaluation adjustments on the cash-settled share-based payments for the 39 weeks ended October 3, 2015 results in anti-dilutive earnings (loss) per share. As a result, for the period ended October 3, 2015, 440,140 potential ordinary shares were not included in the calculation of the weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share.

7. SHARE CAPITAL

On June 30, 2015 Clearwater completed the issuance of 4,980,900 common shares at $12.25 per common share for gross proceeds of $61 million. Transaction costs associated with the equity issue were $2.4 million and have been deducted from the recorded amount for the common shares.

Total common shares outstanding as at October 3, 2015 was 59,958,998 common shares.

On November 13, 2015 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on December 15, 2015 to shareholders of record as of November 30, 2015.

(Tabular amounts are in thousands of Canadian dollars)

8. SEGMENTED INFORMATION

Clearwater has one reportable segment which includes its integrated operations for harvesting, processing and distribution of seafood products.

(a) Sales by species

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Scallops	**$ 37,918**	$ 42,576	**$ 102,149**	$ 122,420
Coldwater shrimp	**24,361**	19,881	**72,638**	62,295
Lobster	**28,104**	22,407	**70,727**	58,017
Clams	**26,507**	23,063	**52,062**	46,617
Crab	**14,499**	12,646	**21,343**	20,985
Ground fish and other	**15,943**	13,496	**20,523**	14,910
	$ 147,332	$ 134,069	**$ 339,442**	$ 325,244

(b) Sales by geographic region of the customer

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
China	**$ 34,292**	$ 30,686	**$ 62,728**	$ 52,105
Japan	**20,837**	15,024	**49,193**	41,784
Other	**5,087**	5,074	**12,261**	10,394
Asia	**60,216**	50,784	**124,182**	104,283
Canada	**23,764**	22,199	**45,897**	49,073
United States	**22,935**	24,513	**59,403**	65,696
North America	**46,699**	46,712	**105,300**	114,769
France	**15,165**	14,334	**41,934**	40,203
UK	**8,100**	6,157	**16,732**	13,295
Scandinavia	**7,236**	6,299	**29,052**	17,438
Other	**9,397**	9,315	**20,922**	33,464
Europe	**39,898**	36,105	**108,640**	104,400
Other	**519**	468	**1,320**	1,792
	$ 147,332	$ 134,069	**$ 339,442**	$ 325,244

(Tabular amounts are in thousands of Canadian dollars)

(c) Non-current assets by geographic region

As at		October 3, 2015		December 31, 2014
Property, plant and equipment, licences, fishing rights and goodwill				
Canada	**$**	**296,670**	$	255,398
Argentina		**35,260**		34,807
Other		**229**		192
	$	**332,159**	$	290,397

9. RELATED PARTY TRANSACTIONS

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI.

The amount due from CFFI in respect of these transactions was $0.11 million (December 31, 2014 - $0.03 million), is unsecured and due on demand. As such the account has been classified as a current asset included in prepaids and other. The balance bears interest at a rate of 5%.

In September 2015, Clearwater entered into an agreement to sell an idle vessel to a joint venture which is accounted for under the equity method in Clearwater's consolidated financial statements. The estimated sales price of CDN $9.1 million dollars is the estimated book value at the time of the sale. This amount includes estimated costs for a refit on the vessel, which is to be completed by the Company prior to the sale to the joint venture. The sale is expected to close in the first quarter of 2016.

In addition, for the 13 and 39 weeks ended October 3, 2015 Clearwater expensed approximately $0.05 million and $0.12 million, respectively, for goods and services from companies related to its parent (September 27, 2014 - $0.05 million and $0.13 million, respectively). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at October 3, 2015 (December 31, 2014 - $ nil million).

Clearwater recorded sales commissions, management and administration fees, storage fees and sales to a non-controlling interest holder in a consolidated partnership. These sales commissions, management and administration fees, storage fees and sales are at negotiated prices and are settled on normal trade terms:

(Tabular amounts are in thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	October 3, 2015	**September 27, 2014**	**October 3, 2015**	**September 27, 2014**
Sales commissions	$ 1,070	$ 626	$ 2,817	$ 1,653
Management and administration	364	351	1,043	1,079
Storage fees	292	290	1,147	954
Sales	-	-	80	-

At October 3, 2015 Clearwater had a balance of $1.2 million (December 31, 2014- $1.0 million), included in long term receivables, for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

10. SHARE-BASED COMPENSATION

Clearwater's share-based compensation plans are discussed in Note 2. An aggregate amount of 2,500,000 Common Shares of Clearwater are issuable under the PSU Plan which was approved by the shareholders with the most recent management information circular dated May 12, 2015. The Company granted 111,759 equity-settled PSUs during the 39 weeks ended October 3, 2015 (39 weeks ended September 27, 2014 – 205,492 cash-settled PSUs).

Measurement inputs for the grant-date fair value of the PSUs granted during the 39 weeks ended October 3, 2015 and September 27, 2014 include the fair value of the Company's shares, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected remaining life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds), as follows:

	October 3, 2015	**September 27, 2014**
	Equity-settled PSU Tranche 4	**Cash-settled PSU Tranche 3**
Weighted average fair value per award at grant date	$ 18.19	11.45
Weighted average risk-free interest rate	0.10% - 3.46%	0.50% - 3.88%
Weighted average expected volatility	20.38% - 74.54%	21.70% - 62.30%
Expected life of awards (years)	2.75	2.75

(Tabular amounts are in thousands of Canadian dollars)

11. CONTINGENT LIABILITIES

Clearwater has received a claim regarding intellectual property in the amount of $6 million. Clearwater does not believe there is merit to the claim. The dispute has not gone to trial or arbitration.

In addition, from time to time Clearwater is subject to claims and lawsuits arising in the ordinary course of operations. In the opinion of management, the ultimate resolution of such pending legal proceedings will not have a material effect on Clearwater's consolidated financial position.

12. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Indefinite life licenses	Fishing rights	Total
Cost				
Balance at January 1, 2014	$ 7,043	$ 82,726	$ 24,094	$ 113,863
Impairment on non-core species	(1,405)	-	-	(1,405)
Foreign currency exchange translation	-	(922)	-	(922)
Balance at December 31, 2014	5,638	81,804	24,094	111,536
Addition	-	-	2,644	2,644
Foreign currency exchange translation	-	191	(46)	145
Balance at October 3, 2015	$ 5,638	$ 81,995	$ 26,692	$ 114,325
Accumulated amortization				
Balance at January 1, 2014	$ -	$ -	$ 5,353	$ 5,353
Amortization expense	-	-	1,803	1,803
Balance at December 31, 2014	-	-	7,156	7,156
Amortization expense	-	-	1,481	1,481
Balance at October 3, 2015	$ -	$ -	$ 8,637	$ 8,637
Carrying amounts				
As at December 31, 2014	$ 5,638	$ 81,804	$ 16,938	$ 104,380
As at October 3, 2015	$ 5,638	$ 81,995	$ 18,055	$ 105,688

Clearwater maintains fishing licenses and rights to ensure continued access to the underlying resource. Except for fishing rights, licenses have an indefinite life as they have nominal annual renewal fees, which are expensed as incurred, and the underlying species are healthy. The licenses and goodwill are tested for impairment annually and when circumstances indicate the carrying value may be impaired.

(Tabular amounts are in thousands of Canadian dollars)

Indefinite life licenses and Goodwill

Annual impairment testing for each cash generating unit ("CGU") was performed using a value in use approach as of October 3, 2015. The recoverable amounts for all CGU's were determined to be higher than their carrying amounts and therefore no impairments were recorded during 2015.

During the 13 and 39 weeks ended September 27, 2014, Clearwater recorded a $1.4 million impairment loss to goodwill associated with a processing facility within the cooked & peeled shrimp CGU (a non-core species) and the Canadian reportable segment, which was the result of estimated other than temporary reductions in margins for the cooked and peeled shrimp business. The recoverable amount of the cooked & peeled shrimp CGU was $12.7 million and was determined through the value in use approach with a pre-tax discount rate of 13.2%. Impairment losses are recognized within administrative and selling in the condensed consolidated interim statements of earnings.

The value in use approach was determined by discounting the projected future cash flows generated from the continuing earnings from operations for the applicable CGU. Unless otherwise indicated in notes i – iii, the assumptions used in the value in use approach for 2015 were determined similarly to 2014.

As at		**October 3, 2015**		**December 31, 2014**
Scallops Goodwill - $ nil (December 31, 2014 $ nil) Indefinite life licenses - $58.4 million (December 31, 2014 $55.7 million)	$	58,379	$	55,719
All other CGU's individually without significant carrying value Goodwill - $5.6 million (December 31, 2014 $5.6 million) Indefinite life licenses - $23.6 million (December 31, 2014 $26.1 million)		29,254		31,723
	$	87,633	$	87,442

The discounted cash flows used in determining the recoverable amounts for the Scallops and other CGU's were based on the following key assumptions:

i) Cash flows from operations were projected for a period of five years based on a combination of past experience, actual operating results and Management approved 2016 forecasted earnings. Terminal values and forecasts for future periods were extrapolated using inflation rates of 1% (2014: 1%). Gross margins for all future periods were determined using a combination of forecasted and historical margins.

ii) Pre-tax discount rates ranging from 13% - 18% (2014: 13% - 18%) were applied in determining the recoverable amount of the CGU's. The discount rates were estimated based upon weighted average cost of capital, and associated risk for the CGU.

(Tabular amounts are in thousands of Canadian dollars)

iii) Cash flow adjustments for capital expenditures were based upon the Management approved capital expenditure forecast, and terminal year capital expenditures were based on required refits over the period of the fishing license.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both internal and external sources.

Definite life fishing rights

Amortization relates to fishing rights. Amortization is allocated to the cost of inventory and is recognized in cost of goods sold as inventory is sold. In 2015, Clearwater acquired fishing rights for CDN $2.6 million. These fishing rights relate to the Scallop CGU, are valid for 15 years and are amortized over that period. In 2015, there have been no disposals.

Refer to Note 4 for assets pledged as security for long term debt.

13. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital *(excludes change in accrued interest)*	13 weeks ended October 3, 2015	13 weeks ended September 27, 2014	39 weeks ended October 3, 2015	39 weeks ended September 27, 2014
(Increase) decrease in inventory	$ **(3,465)**	9,746	$ **(23,977)**	(6,778)
(Decrease) increase in accounts payable	**(7,492)**	(5,725)	**328**	7,409
(Increase) in accounts receivable	**(7,891)**	(11,843)	**(31,127)**	(26,539)
Decrease (increase) in prepaids	**226**	(84)	**1,143**	1,252
	$ (18,622)	$ (7,906)	**$ (53,633)**	$ (24,656)

14. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Macduff Shellfish Group Limited

On October 30, 2015 (the "acquisition date"), Clearwater acquired 100% of the shares of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish processors. Macduff is a vertically integrated business, owning 14 mid-shore scallop harvesting vessels and production plants in Mintlaw and Stornoway, Scotland. The business provides access to species including scallops, langoustines, whelk and brown crab. The results of Macduff will be consolidated with the results of Clearwater commencing on the acquisition date.

Total consideration for Macduff consists of cash on closing of £67.4 million (excluding seasonal working capital), an unsecured deferred consideration obligation of £27 million with an initial estimated fair value of £21.9 million and contingent consideration dependant on the future earnings performance of Macduff with an estimated fair value of £9.2 million.

The deferred consideration obligations and the additional contingent consideration (the "Deferred Consideration") applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares"). The

Deferred Consideration will be paid over the next five or six years. In each year the holders of the Earn Out Shares can elect to be paid up to 20% of the total respective Earn Out Shares. Clearwater will have the right to exercise the payout of 20% of the total Earn Out Shares annually commencing two years after the date of closing and annually thereafter. The amount of each Deferred Consideration payment will be as follows:

The greater of:
(i) £5.4 million; OR
(ii) 6.75% of the equity value of the business calculated as 7.5x the last twelve months adjusted EBITDA less the outstanding debt of Macduff

Clearwater financed the cash portion of the acquisition from existing loan facilities.

Due to the timing of the acquisition date in relation to the release of these interim financial statements, and the fact that Macduff's financial statements have not historically been prepared in accordance with IFRS, Clearwater has not yet determined the acquisition date fair values of the identifiable assets acquired and liabilities assumed. As a result, a preliminary purchase price allocation has not yet been completed. For the same reasons, it has not been practicable to determine the pro forma revenues or earnings of Clearwater including the Macduff business in these interim financial statements. Clearwater will disclose a preliminary purchase price allocation in the December 31, 2015 annual consolidated financial statements.

Goodwill expected to be recorded on this transaction represents the value anticipated to be created from Clearwater's ability to access additional supply and markets to enhance revenues, profits and free cash flow. The goodwill will not be deductible for income tax purposes.

Clearwater incurred acquisition-related costs during the 13 and 39 weeks ended October 4, 2015 of approximately $1 million, which are included in other income on the Consolidated Interim Statements of Earnings.

Quarterly and share information

Clearwater Seafoods Incorporated ($000's except per share amounts)

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Sales	147,332	116,748	75,362	119,498	134,069	113,403	77,771	111,012
Net earnings (loss) attributable to:								
Non-controlling interests	6,485	4,123	3,062	4,117	4,076	2,181	2,328	2,804
Shareholders of Clearwater	(4,768)	5,616	(31,398)	(3,987)	(1,117)	16,669	(14,472)	(3,102)
	1,717	9,739	(28,336)	130	2,959	18,850	(12,144)	(298)
Per share data								
Basic net (loss) earnings	(0.08)	0.10	(0.57)	(0.07)	(0.02)	0.30	(0.27)	(0.06)
Diluted net (loss) earnings	(0.09)	0.10	(0.57)	(0.07)	(0.02)	0.30	(0.27)	(0.06)

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Trading price range of shares (board lots)								
High	13.13	14.42	15.24	12.23	10.80	8.70	9.21	8.50
Low	9.22	11.66	10.93	9.30	7.75	6.90	7.27	5.37
Close	9.99	12.25	13.75	11.86	10.56	8.69	7.55	8.22
Trading volumes (000's)								
Total	3,030	3,100	3,690	5,907	3,793	2,974	3,370	2,635
Average daily	51	50	58	91	67	47	55	41
Shares outstanding at end of quarter	59,958,998	59,958,998	54,978,098	54,978,098	54,978,098	54,978,098	54,978,098	50,948,698

CORPORATE INFORMATION

DIRECTORS OF CLEARWATER SEAFOODS INCORPORATED

Colin E. MacDonald, Chairman of the Board

John C. Risley
President, Clearwater Fine Foods Inc.

Harold Giles, Chair of Human Resource Development and Compensation ('HRDCC") Committee
Independent Consultant

Larry Hood, Chair of Audit Committee
Director, Former Partner, KPMG

Jane Craighead
Senior Vice President, Scotiabank

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus International Inc.

Stan Spavold, Chair of Finance Committee
Executive Vice President, Clearwater Fine Foods Inc.

Jim Dickson, Chair of Governance Committee
Partner, Stewart McKelvey

EXECUTIVE OF CLEARWATER SEAFODS INCORPORATED

Ian Smith
Chief Executive Officer

Robert D. Wight
Vice-President, Finance and Chief Financial Officer

Ronald van der Giesen
President, Global Supply Chain

Michael D. Pittman
Vice-President, Fleet

Greg Morency
President and Chief Commercial Officer

Dieter Gautschi
Vice-President, Human Resources

Christine Penney
Vice-President, Sustainability & Public Affairs

Paul Broderick
Vice-President of International Sales

David Kavanagh
Vice-President and General Counsel

INVESTOR RELATIONS

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AUDITORS

KPMG LLP
Halifax, Nova Scotia

SHARES LISTED

Toronto Stock Exchange
SHARE Symbol: CLR

TRANSFER AGENT

Computershare Investor Services Inc.

Why invest In Clearwater?

- North America's largest vertically integrated harvester, processor and distributor of premium, wild, eco-labelled shellfish with more than 81 million pounds sold in 2014
- Global demand for premium wild-caught seafood among aging boomers and a rising middle class in the Asia-Pacific region is outpacing resource supply. This in combination with conservatively managing wild seafood fisheries to protect the long-term health of the industry is creating new opportunities from the rising demand for high-quality sustainable seafood.
- Largest holder of shellfish quotas and licenses within Canada and maintains the widest selection of MSC-certified species of any shellfish harvester worldwide
- Diverse channel and customer mix in foodservice, retail and other food industries with no single customer representing more than 6% of total sales
- Five consecutive years of sales and adjusted EBITDA growth

Clearwater

remarkable seafood, responsible choice