Delivering On Our Promise

remarkable seafood, responsible choice

CLEARWATER SEAFOODS INCORPORATED 2016
FIRST QUARTER REPORT

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LETTER TO SHAREHOLDERS

- Record first quarter sales and adjusted EBITDA of $116.2 million and $18.9 million representing growth rates of 54% and 94% respectively. Excluding the impact in 2016 from the acquisition of Macduff, growth in sales and adjusted EBITDA were 20% and 73%, respectively.

- The growth in sales revenues and adjusted EBITDA were due to higher volumes, higher prices and higher average exchange rates as well as the positive results from Macduff Shellfish.

- Operating cash flows were in line with seasonal expectations and reflect the timing of planned investments in working capital. These results are consistent with management's expectations and position the company well to generate strong annual free cash flows.

- Adjusted leverage was 4.1x, in line with seasonal expectations and we remain on target to further reduce leverage below 4.0x by year-end 2016.

- Declares quarterly dividend of $0.05 per share payable on June 10, 2016 to shareholders of record as of May 27, 2016.

Clearwater reported sales and adjusted EBITDA[1] of $116.2 million and $18.9 million for the first quarter of 2016 versus 2015 comparative figures of $75.4 million and $9.7 million, respectively, representing growth of 54% in sales and 94% in adjusted EBITDA. Note that these figures include the results of Macduff Shellfish (“Macduff”) including sales of $25.8 milllion and adjusted EBITDA of $2.0 million. Excluding the acquisition of Macduff, growth in sales and adjusted EBITDA was 20% and 73%, respectively.

The growth in sales and adjusted EBITDA were due to higher volumes, higher prices and higher average exchange rates as well as the positive results from Macduff Shellfish.

Volumes growth was primarily due to the inclusion of the results of Macduff as well as higher Canadian sea scallop volumes resulting from better harvesting conditions.

Sales and gross margin were positively impacted by strong market demand in all regions as well as higher selling prices in home currencies and higher average exchange rates, partially offset by sales mix.

Gross margin as a percentage of sales increased from 18.9% to 23.1% due to strong sales prices for the majority of species as well as a strengthening US dollar and Yen against the Canadian dollar which had a $6.9 million net positive impact on sales and margins.

Adjusted earnings attributable to shareholders for the first quarter of 2016 increased $1.5 million to $2.6 million primarily as a result of higher sales volumes, improvements in gross margin from strong sales prices for the majority of core species and higher average foreign exchange rates. Refer to the Management Discussion and Analysis for a breakdown of the non-IFRS measure and the related earnings attributable to shareholders.

Operating cash flows were in line with seasonal expectations and reflect the timing of planned investments in working capital. Strong harvesting conditions in the first quarter of 2016 allowed Clearwater to invest in inventories and receivables and position the company well to achieve strong annual adjusted EBITDA and free cash flows in 2016. Free cash flows were ($24.4) million in the first quarter of 2016 as compared to +$6.6 million in the first quarter of 2015, a quarter that saw far less harvesting activity and therefore lower inventories.

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.

This investment strengthens Clearwater's leading global market position in complementary premium wild seafood by expanding our access to supply by more than 15 million pounds or 20%.

Clearwater's first quarter 2016 results include sales of $25.8 million and adjusted EBITDA of $2.0 million for Macduff, the first full quarter in which we are reporting Macduff results. Macduff'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.

Looking forward, Macduff is positioned for growth in 2016. In June 2015 Macduff acquired an additional 4 scallop trawlers and licenses (bringing their fleet to 13 mid-shore scallop harvesting vessels) along with additional preferred procurement access in whelk. This recent investment along with additional organic growth is projected to help Macduff grow adjusted EBITDA in 2016.

Dividends

The Board of Directors approved and declared a dividend of $0.05 per share payable on June 10, 2016 to shareholders of record as of May 27, 2016.

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 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 first quarter of 2016 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 delighted with our results for the first quarter and believe we are well positioned to achieve strong and profitable growth in 2016.

Increased volumes from the expansion of our clam fleet and the acquisition of Macduff as well as strong global demand across all markets and species will continue to drive our business in 2016.

In 2016 Clearwater will celebrate its 40th anniversary and kick off our next five year plan. We will continue to focus on executing with excellence against our six core strategies and see attractive business opportunities for future growth.

Core Strategies

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 improved utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

The investment in Macduff provides Clearwater with access to an incremental 15 million pounds or 20% of premium, wild caught, safe, traceable and complementary shellfish species.

In addition, in July 2015 Clearwater launched its new state-of-the-art factory clam vessel, the Belle Carnell. At CAD $65 million, it is the single-largest vessel investment in Clearwater's history and will harvest Arctic Surf Clams, Cockle Clams and Propeller Clams year-round on the Grand Banks. The vessel joined Clearwater's fleet in the fourth quarter of 2015 and significantly improves utilization of existing licenses and quota in this Marine Stewardship Council (MSC) certified sustainable fishery. The Belle Carnell is performing well and has harvested approximately 30% of the available Grand Bank quota in the first quarter. If catch rates continue at this level, this puts the vessel on track to harvest the full quota in 2016.

Target Profitable & Growing Markets, Channels & Customers – Clearwater benefits from strong and growing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2016, 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. With the acquisition of Macduff, Clearwater has 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 products and formats as we 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, convenience and fair labour practices.

The acquisition of Macduff has expanded the product range Clearwater can make available to its large and growing core customer base – especially in Asia and the Americas. We see tremendous opportunity to the utilize the sales and marketing strength of the Clearwater brand and organization to provide expanded market and customer service/access to Macduff's four major species – Scallops, Langoustines, Whelk and Crab.

The expansion of our clam fleet has provided us with capacity to harvest and market Northern Propeller Clam, a species with historically limited market appeal. This product has been transformed through new product development ("NPD") into a source of incremental revenue and profit in both the Japanese and North American Sushi markets.

Clearwater's NPD efforts have also resulted in the significant growth, geographic and channel distribution expansion of our high pressure-processed frozen raw lobster including major air and cruise lines as well major retailers in the EU and Asia.

Increase Margins by Improving Price Realization and Cost Management - In 2016 we are continuing the implementation of our "ocean to shelf" global supply chain with a focus on capturing cost savings through greater efficiency and improved productivity of our global operations. This includes 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.

We see opportunities to drive value in utilizing Macduff's North Atlantic harvesting operations, integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland. In addition, our patented next generation live lobster storage and distribution system promises to improve quality, reduce waste and significantly lower the operating costs in our lobster business. Early tests have already yielded a significant reduction in mortality in storage and distribution –the single largest industry cost driver.

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, renewable 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.

Management is evaluating multiple opportunities to fuel additional growth which will provide opportunities to continue to invest in, develop and engage our entire workforce in Canada and abroad.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
May 17, 2016

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) was prepared effective May 17, 2016.

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 2016 first quarter news release.

This MD&A should be read in conjunction with the first quarter 2016 Financial Statements, the 2015 annual Financial Statements, the 2015 annual MD&A and the 2015 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) the timing and extent of changes in interest rates, prices and demand, and (ii) 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.

Implementation of Enterprise Resource Planning System ("ERP")

On February 1, 2016 the Clearwater successfully completed the implementation of its new ERP system (SAP), including general ledger, sales distribution, supply chain and transportation modules, replacing its legacy systems. With the implementation completed, management's focus has shifted to continuing training, process optimization, and reporting improvements to add value, realize efficiencies and enhance visibility.

CLEARWATER OVERVIEW

Leading Global Provider of Wild-Caught Shellfish
Clearwater is North America's largest 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 approximately 79 million pounds sold in 2015.

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 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 rarely grant new licenses. In addition, the financial resources required to acquire and harvest fishing quotas create barriers to entry.

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 we have no single customer representing more than 7% 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.

FIRST QUARTER 2016 FINANCIAL ACHIEVEMENTS

We are delighted with our results for the first quarter of 2016 and are positioned well to achieve strong growth throughout the year. Increased volumes from the expansion of our clam fleet and the acquisition of Macduff as well as strong global demand across all markets and species will continue to be a key driver for our business in 2016.

Clearwater reported sales and adjusted EBITDA[1] for the first quarter of 2016 of $116.2 million and $18.9 million, respectively versus 2015 comparative figures of $75.4 million and $9.7 million, reflecting growth in sales of 54% and 94% for adjusted EBITDA.

Sales, gross margin and adjusted EBITDA were positively impacted by strong market demand in all regions, greater scallop supply, higher sales prices and higher exchange rates.

Gross margin and adjusted EBITDA also benefited from the acquisition of Macduff and lower harvest costs partially offset by a sales mix.

On October 30, 2015 Clearwater successfully completed the acquisition of Macduff Shellfish Group Limited ("Macduff"), one of Europe's leading wild shellfish companies. Macduff expands our access to supply by more than 15 million pounds or 20% and further diversifies our species of wild shellfish.

The acquisition provided an additional $25.8 million in sales and $2.0 million in adjusted EBITDA in the first quarter of 2016, through access to diversified complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which are sold within the European market.

In June 2015 Macduff acquired an additional four scallop trawlers and licenses bringing their fleet to 13 mid-shore scallop harvesting vessels. This in combination with preferred procurement access in whelk, a complementary shellfish species, positions Macduff for growth in 2016.

In the fourth quarter of 2015, Clearwater launched its new state-of-the-art factory clam vessel, the Belle Carnell. This vessel significantly increases our volume and utilization of existing clam licenses and quota in this Marine Stewardship Council ("MSC") certified sustainable fishery. In the first quarter of 2016, the Belle Carnell harvested approximately 30% of the available Grand Bank quota. If catch rates continue at this level, the vessel is on track to harvest the full quota in 2016.

In 2016 Clearwater will celebrate its 40th anniversary and we will kick off our next five year plan. As we look forward, we see no shortage of attractive growth opportunities and are focused on executing against our six core strategies.

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

KEY PERFORMANCE INDICATORS[1]

Earnings increased $44.1 million in the first quarter of 2016 from a loss of $28.3 million in the same period of 2015 to earnings of $15.8 million. The increase in earnings was primarily from an increase of $40.8 million in non-cash unrealized foreign exchange gains on US dollar denominated debt as the Canadian dollar strengthened against the US dollar at the end of March 2016. In addition higher gross margin from an increase in sales volumes and price contributed to the increase in earnings.

As Clearwater is primarily an export company, greater than 85% of our sales take place outside Canada and in foreign currencies. The Company has a business model built on access to a limited resource and diversity of species, markets and customers and has operated successfully in a variety of exchange rate environments. Clearwater has a targeted foreign exchange risk management program using forward contracts to manage its currency fluctuation exposure. As Clearwater does not apply Hedge accounting standards to its long term debt, forward contracts, swaps and caps, the translation of all non cash unsettled amounts are recognized in profit and loss. This can and has caused significant volatility in Clearwater's earnings, most recently noted in the first quarter of 2016 as unrealized non cash foreign exchange gains increased $40.8 million from the translation of US dollar denominated debt. As a result, Clearwater uses other Non-IFRS[1] measurement indicators to evaluate and measure performance:

In 000's of Canadian dollars 12 months rolling	April 2 2016	April 4 2015	March 29 2014
Profitability:			
Adjusted EBITDA[1]	118,870	86,870	78,515
Adjusted EBITDA (as a % of sales)	21.8%	19.6%	19.7%
Sales	545,808	442,332	398,132
Sales growth	23.4%	11.1%	14.5%
Financial Performance			
Free cash flows[1]	8,176	38,295	39,588
Leverage[1]	4.1	4.0	3.6
Returns:			
Return on assets[1]	13.3%	13.7%	13.0%

Sales and adjusted EBITDA for the rolling twelve months ended April 2, 2016 increased $103.5 million or 23.4% and $32.0 million or 37% respectively as compared to the same period in 2015 due to higher volumes, higher prices and higher average exchange rates. Volumes grew primarily due to the inclusion of Macduff and higher scallops due to better harvesting conditions.

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

Free cash flows for the rolling twelve months ended April 2, 2016 declined $30.1 million to $8.2 million due to planned investments in inventories in the first quarter of 2016 and higher accounts receivable balances from the acquisition of Macduff and strong market demand that increased sales. Strong harvesting conditions in the first quarter of 2016 enabled Clearwater to invest in inventories and positions the company well to achieve strong annual adjusted EBITDA and free cash flows.

As of April 2, 2016 leverage was 4.1x adjusted EBITDA versus 4.0x as of April 4, 2015. With the acquisition of Macduff on October 30, 2015, leverage increased to approximately 5.3x at closing and subsequently declined in line with management expectations to 4.4x as at December 31, 2015 and 4.1x at April 2, 2016.

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. This results in lower free cash flows in the first half of the year and higher free cash flows in the second half. As a result, we expect leverage to increase in the second quarter and to decrease to less than 4.0x by December 31, 2016 when Clearwater and Macduff see the full realization of recent investments and organic growth. Management expects to return to its leverage target of 3.0x or lower over the course of one to two years.

EXPLANATION OF FIRST QUARTER 2016 RESULTS

Overview

The interim financial statements reflect the results of Clearwater for the 13 weeks ended April 2, 2016 and April 4, 2015:

In 000's of Canadian dollars Unaudited	April 2 2016	April 4 2015
Sales	$ 116,225	$ 75,362
Cost of goods sold	89,359	61,154
Gross margin	26,866	14,208
	23.1%	18.9%
Administrative and selling	14,220	13,152
Net Finance (income) costs	(5,633)	23,342
Losses on contract derivatives	1,967	8,935
Other costs	13	17
Research and development	276	317
	10,843	45,763
Earnings (loss) before income taxes	16,023	(31,555)
Income tax (recovery) expense	211	(3,219)
Earnings (loss)	$ 15,812	$ (28,336)
Earnings (loss) attributable to:		
Non-controlling interests	$ 1,305	$ 3,062
Shareholders of Clearwater	14,507	(31,398)
	$ 15,812	$ (28,336)

First quarter 2016 Results

Clearwater reported sales and adjusted EBITDA[1] for the first quarter of 2016 of $116.2 million and $18.9 million versus 2015 comparative figures of $75.4 million and $9.7 million respectively, representing growth in sales of 54.2% and 94.0% for adjusted EBITDA.

The first quarter of 2016 includes Macduff sales of $25.8 million and adjusted EBITDA of $2.0 million. Excluding the acquisition of Macduff, growth in sales and adjusted EBITDA was 20% and 73%, respectively.

The increase in sales and adjusted EBITDA were due to higher volumes, higher prices and higher average exchange rates.

Volumes grew primarily due to the addition of Macduff and higher scallop harvesting volumes due to better weather conditions.

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

Gross margin as a percentage of sales increased from 18.9% to 21.8% due to strong sales prices for the majority of species as well as strengthening foreign exchange rates against the Canadian dollar which had a $6.9 million net positive impact on sales and margins.

Earnings attributable to shareholders increased $45.9 million in the first quarter of 2016 from a loss of $31.4 million in the same period of 2015 to earnings of $14.5 million. The increase in earnings was primarily from an increase of $42.9 million in non-cash and non-operational gains (refer to the table below) including unrealized foreign exchange gains on US dollar denominated debt and forward contracts as the Canadian dollar strengthened against the US dollar at the end of March 2016. In addition higher gross margin from an increase in sales volumes and price contributed to the increase in earnings.

Adjusted earnings attributable to shareholders increased $1.5 million to $2.6 million primarily as a result of higher sales volumes, improvements in gross margin from strong sales prices for the majority of our core species and higher average foreign exchange rates.

Refer to non-IFRS measures for the breakdown of adjusted earnings and the related earnings attributable to shareholders.

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

Operating cash flows were in line with seasonal expectations and reflect the timing of planned investments in working capital. Strong harvesting conditions in the first quarter of 2016 allowed Clearwater to invest in inventories and position the company to achieve strong annual adjusted EBITDA and free cash flows in the balance of the year. Free cash flows were ($24.4) million in the first quarter of 2016 as compared to +$6.6 million in the first quarter of 2015, a quarter that saw far less harvesting activity and lower inventories.

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

EXPLANATION OF CHANGE IN EARNINGS FOR THE FIRST QUARTER OF 2016

Overview

The following table reflects the changes in earnings for Clearwater for the 13 weeks ended April 2, 2016 and April 4, 2015:

In 000's of Canadian dollars 13 weeks ended	April 2 2016	April 4 2015	Change
Earnings (loss)	$ 15,812	$ (28,336)	$ 44,148
Explanation of changes in net earnings related to operations:			
Higher realized foreign exchange losses on forward contracts and working capital			(8,174)
Higher gross margin			12,658
Higher interest expense			(2,319)
Higher administrative and selling expense			(1,068)
			1,097
Explanation of changes in (loss) earnings related to non-operational items:			
Higher unrealized foreign exchange gains on long term debt			40,774
Higher unrealized foreign exchange gains on other assets and forward contracts, net of higher losses on interest rate swaps and caps			7,764
Higher income tax expense			(3,430)
Higher fair value loss adjustments on embedded derivative			(909)
Higher accretion on deferred consideration			(1,318)
			42,881
All other			170
			$ 44,148

Sales by region

In 000's of Canadian dollars 13 weeks ended		April 2 2016		April 4 2015		Change	%
Europe	$	47,905	$	23,386	$	24,519	104.8
China		17,683		12,530		5,153	41.1
Japan		15,602		13,430		2,172	16.2
Other Asia		9,662		4,049		5,613	138.6
Asia		42,947		30,009		12,938	43.1
United States		17,285		15,443		1,842	11.9
Canada		7,901		6,148		1,753	28.5
North America		25,186		21,591		3,595	16.7
Other		187		376		(189)	(50.3)
	$	116,225	$	75,362	$	40,863	54.2

Europe

Europe is Clearwater's largest scallop market and it is an important market for coldwater shrimp, langoustines, crab and lobster products. With the acquisition of Macduff on October 30, 2015, Europe is now our most diverse market, with a wide variety of products sold.

European sales increased $24.5 million, or 105% to $47.9 million in the first quarter of 2016. Sales of Macduff products including King and Queen scallops, langoustine and brown crab, contributed $20.7 million.

Higher sales volumes for sea scallops and Argentine scallops increased sales as improved weather conditions and higher catch rates, increased available supply as compared to the first quarter of 2015.

Shrimp volumes declined in the first quarter of 2016 due to a reduction in available supply related to the timing of vessel landings caused by difficult weather conditions.

Sales, which were primarily transacted in the Euro, GBP and Danish Kroner ("DKK") were positively impacted in the first quarter of 2016 by higher average foreign exchange rates[1] of approximately $1.5 million. The Euro improved 5.5% relative to the Canadian dollar from 1.391 for the first quarter of 2015 to 1.468 in the same period in 2016, and the DKK improved 9.3% to 0.206 for 2016.

China

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

Sales to customers in China increased $5.2 million or 41.1%, to $17.7 million for the first quarter of 2016 due to increased sales volumes for clams, shrimp, sea scallops and lobster and strong market demand that increased selling prices for the majority of our species.

1 – Refer to discussion on risks and uncertainties

Sales in China are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar for the first quarter of 2016 contributing $1.4 million to the increase in sales as average exchange rates[1] for the US dollar strengthened against the Canadian dollar by 9.1% to 1.358.

Sales were also favorably impacted by changes in product mix for clams and shrimp towards products with higher selling prices.

Japan

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

Sales to customers in Japan increased $2.2 million or 16.2%, to $15.6 million for the first quarter of 2016 in comparison to the same period in 2015. The increase in sales was primarily a result of strong demand that increased sales prices for clams and shrimp, and favorable foreign exchange rates.

Sales, which were primarily transacted in Yen, were positively impacted in the first quarter of 2016 by approximately $2.0 million related to an increase in foreign exchange rates[1] of 18.1% over the same period in 2015.

Sales were also favorably impacted by changes in product mix for clams and shrimp towards products with higher selling prices.

Shrimp volumes declined in the first quarter of 2016 due to a reduction in available supply related to the timing of vessel landings caused by difficult weather conditions.

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 $5.6 million to $9.7 million for the first quarter 2016 in comparison to the same period in 2015 primarily as a result of the acquisition of Macduff which increased sales by $4.7 million. Macduff sales within this region primarily related to whelk. Higher sales volumes and prices for clams, sea scallops and shrimp also contributed to the increase in sales.

Sales were positively impacted by $0.4 million in the first quarter of 2016 due to higher average foreign exchange[1] rates for the US dollar. Average exchange rates for the US dollar against the Canadian dollar increased by 9.1% to 1.358 in 2016.

United States

The United States is an important market for scallops, coldwater shrimp, lobster and clams.

Sales in the United States increased $1.8 million to $17.3 million in the first quarter of 2016 in comparison to the same period in 2015, primarily as a result of higher exchange rates, higher sales volumes for lobster and changes in product mix weighted towards products with higher selling prices.

Sales were positively impacted by $1.5 million for first quarter of 2016 due to stronger exchange rates as the US dollar strengthened against the Canadian dollar. Average exchange rates[1] for the US dollar increased by 9.1% to 1.358 in the first quarter of 2016.

1 – Refer to discussion on risks and uncertainties

Higher sales volumes for sea scallops also contributed to the increase in sales as improved weather conditions increased supply in comparison to the same period in 2015.

Lower available supply for Argentine scallops partially offset the increase in sales.

Canada

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

Sales within Canada increased $1.8 million, or 28.5% to $7.9 million in the first quarter of 2016 primarily as a result of an increase in sales volumes for sea scallops.

Sea scallop volumes improved due favorable harvesting conditions that increased available supply when compared to the difficult weather conditions of the first quarter of 2015.

Higher sales prices for sea and Argentine scallops also contributed to the increase in sales.

1 – Refer to discussion on risks and uncertainties

Sales by species[1]

In 000's of Canadian dollars 13 weeks ended		April 2 2016		April 4 2015		Change	%
Scallops	$	39,058	$	19,390	$	19,668	101.4
Coldwater shrimp		20,955		21,761		(806)	(3.7)
Lobster		21,558		18,514		3,044	16.4
Clams		18,611		15,414		3,197	20.7
Langoustine		8,922		0		8,922	100.0
Crab		1,438		7		1,431	-
Ground fish and other shellfish		5,683		276		5,407	-
	$	116,225	$	75,362	$	40,863	54.2

Sales increased $40.9 million, for the first quarter of 2016 versus the same period of 2015 primarily due to higher volumes, higher prices and higher average foreign exchange rates. The acquisition of Macduff provided sales of $25.8 million including scallops, langoustine, crab and other shellfish (whelk).

Our supply of sea scallops and Argentine scallops was higher in the first quarter of 2016 as compared to 2015. In addition to Macduff sales, base volumes were higher in both sea scallops and Argentine scallops. During the first quarter of 2015 supply was reduced due to a combination of difficult weather conditions, a vessel refit and harvesting delays with a new Argentine vessel.

A strong US dollar, Yen and Euro compared to the Canadian dollar generated a $6.9 million increase in sales.

Cost of goods sold

Cost of goods sold includes harvesting and procurement costs, manufacturing costs, depreciation, transportation and administration. Cost of goods sold increased $28.2 million primarily due to the acquisition of Macduff, higher sales volumes, mix and higher procurement costs for lobster and cooked and peeled shrimp, offset partially by lower average harvest costs per pound.

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.

1 – Refer to discussion on risks and uncertainties

Gross margin

Gross margin as a percentage of sales improved from 18.9% in the first quarter of 2015 to 23.1% for the same period of 2016. The growth in margin percentage was driven by strong market demand that provided higher sales prices for the majority of species, the strengthening foreign exchange rates for the US dollar against the Canadian dollar and lower harvest costs, offset partially by sales mix.

The net impact on sales from changes in foreign exchange rates was an increase in sales of $6.9 million.

13 weeks ended	April 2, 2016		April 4, 2015		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	43.6%	1.358	43.6%	1.244	9.1%
Euros	16.7%	1.468	13.3%	1.391	5.5%
Japanese Yen	14.7%	0.012	14.0%	0.011	9.1%
UK pounds	3.0%	1.961	3.7%	1.879	4.4%
Danish Kroner	7.2%	0.206	12.7%	0.188	9.3%
Canadian dollar and other	14.8%	0.000	12.7%	0.000	0.0%
	100.0%		100.0%		

Administrative and selling

In 000's of Canadian dollars 13 weeks ended		April 2 2016		April 4 2015		Change	%
Salaries and benefits	$	9,674	$	7,181	$	2,493	34.7
Share-based incentive compensation		1,501		3,648		(2,147)	(58.9)
Employee compensation		11,175		10,829		346	3.2
Consulting and professional fees		2,452		1,775		677	38.1
Other		1,520		1,277		243	19.0
Reorganization costs		23		300		(277)	(92.3)
Selling costs		836		560		276	49.3
Travel		967		584		383	65.6
Occupancy		546		422		124	29.4
Allocation to cost of goods sold		(3,299)		(2,595)		(704)	27.1
	$	14,220	$	13,152	$	1,068	8.1

Administrative and selling increased $1.1 million in the first quarter of 2016 in comparison to the same period of 2015 primarily as a result of the acquisition of Macduff.

Salaries and benefits increased $2.5 million primarily as a result of the acquisition of Macduff and 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 $2.1 million due to a lower average number of share based grants outstanding at the end of the first quarter 2016 versus the first quarter 2015, resulting from payouts of maturing grants which exceeded new grants issued.

Consulting and professional fees include operations management, legal, audit and accounting, insurance and other specialized consulting services. Consulting and professional fees increased as a result of higher recruiting fees.

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.

Net finance (income) costs

In 000's of Canadian dollars 13 weeks ended	April 2 2016	April 4 2015
Interest and bank charges	$ 6,216	$ 4,242
Amortization of deferred financing charges and accretion	565	220
	6,781	4,462
Fair value adjustment on embedded derivative	1,795	886
Accretion on deferred consideration	1,318	-
Foreign exchange on debt and working capital	(15,402)	17,994
Debt refinancing fees and other	(125)	-
	$ (5,633)	$ 23,342

Interest and bank charges increased $2.0 million for first quarter of 2016 as compared to the same period in 2015 due to an increase in loan facilities on October 30, 2015 related to the financing of the Macduff acquisition. Existing loan facilities were accessed to fund the cash portion of the purchase price including:

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

These additional borrowings increased average loans outstanding and the related interest expense in the first quarter of 2016.

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.

The **accretion on deferred consideration** relates to the fair value of the discounted cash flows for the deferred consideration associated with the acquisition of Macduff.

Foreign exchange[1] on debt and working capital

In 000's of Canadian dollars 13 weeks ended	April 2 2016	April 4 2015
Realized gain (loss)		
Working capital and other	$ 5,074	$ (2,304)
Unrealized (gain) loss		
Foreign exchange on long term debt and working capital	(20,476)	20,298
	$ (15,402)	$ 17,994

1 – Refer to discussion on risks and uncertainties

Foreign exchange gains on debt and working capital increased by $33.4 million from a loss of $18.0 million in the first quarter of 2015 to a gain of $15.4 million in the first quarter of 2016. The increase was primarily a result of non-cash unrealized gains on the translation of a $199 million US dollar denominated debt as the Canadian dollar strengthened against the US dollar by 6.3% in the first quarter of 2016.

Realized foreign exchange losses on working capital and other increased $7.4 million from a gain of $2.3 million in the first quarter of 2015 to a loss of $5.1 million for the same period of 2016 primarily as a result of unrealized losses on intercompany accounts to wholly owned subsidiaries classified as foreign operations for accounting purposes.

Losses[1] on contract derivatives

In 000's of Canadian dollars 13 weeks ended		April 2 2016		April 4 2015
Realized loss				
Forward foreign exchange contracts	$	1,951	$	1,155
Unrealized loss (gain)				
Forward foreign exchange contracts		(6,859)		5,937
Interest rate swaps and caps		6,875		1,843
		16		7,780
	$	1,967	$	8,935

Losses on contract derivatives decreased $7.0 million to $2.0 million for the first quarter of 2016 primarily as a result of unrealized gains on foreign exchange contracts of $6.9 million from US dollar contracts for which contracted rates were higher than the spot rate for the first quarter of 2016.

The increase in unrealized loss on interest rate swaps and caps and the increase in the unrealized gain on the forward foreign exchange contracts was primarily a result of the decline in the value of the USD versus the Canadian dollar in the first quarter of 2016.

Clearwater is primarily an export company with approximately 85% of our sales taking place outside Canada and in foreign currencies. We have a business model built on access to a limited resource and diversity of species, markets and customers and have operated successfully in a variety of exchange rate environments.

As part of our risk management strategy we enter into short-term currency and interest rate instruments and loan agreements to give us certainty regarding exchange rates and cash flows for a period of time. We recognize and include in our earnings any realized gains and losses on these instruments and loans as they mature and are settled.

1 – Refer to discussion on risks and uncertainties

We are also required to record and include any unrealized non-cash gains and losses on these instruments in our earnings by assuming the settlement of these currency and interest rate instruments prior to their maturity and at each period end. To reflect this accounting, we obtain estimates of the fair value of the hedging instruments and convert them, as well as any foreign currency denominated debt, to Canadian dollars at each balance sheet date.

This results in unrealized non-cash gains or losses that are included in earnings for the period. As these gains and losses do not relate to operating results of the period, we exclude these gains and losses when calculating Adjusted EBITDA, Adjusted Earnings Attributable to Shareholders of Clearwater and Free Cash Flows.

Other (income) expense

In 000's of Canadian dollars 13 weeks ended		April 2 2016		April 4 2015
Royalties, interest and other fees	$	(72)	$	(177)
Share of earnings of equity-accounted investee		199		238
Acquisition related costs		1,201		-
Fair value adjustment on earn-out liability		(377)		-
Other fees		(938)		(44)
	$	13	$	17

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 income remained consistent with the same period in 2015, as Macduff integration related fees of $1.2 million in the first quarter of 2016, were offset by export tax rebates.

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 a shrimp/turbot joint venture and subsidiaries in Argentina and Newfoundland and Labrador.

The decrease in earnings attributable to non-controlling interest of $1.8 million for the first quarter of 2015 relates primarily to a reduction in landings for shrimp due in part to lower quotas and more difficult weather conditions in northern fishing zones.

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 increased $45.9 million in the first quarter of 2016 from a loss of $31.4 million in the same period of 2015 to earnings of $14.5 million. The increase in earnings was primarily from an increase of $40.8 million in non-cash unrealized foreign exchange gains on US dollar denominated debt as the Canadian dollar strengthened against the US dollar at the end of March 2016. In addition higher gross margin from an increase in sales volumes and price contributed to the increase in earnings.

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 for the first quarter of 2016 increased $1.5 million to $2.6 million from the same period in 2015 primarily as a result of higher sales volumes, 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, utilizing surplus cash and extending the term of existing debt facilities and, selling surplus assets to repay debt.

Clearwater's capital structure was as follows as at April 2, 2016 and December 31, 2015:

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

In 000's of Canadian dollars As at		April 2 2016		December 31 2015
Equity				
Common shares	$	157,161	$	157,161
Contributed surplus		730		547
Retained earnings (deficit)		(24,824)		(36,333)
Cumulative translation account		(20,797)		(1,625)
		112,270		119,750
Non-controlling interest		21,813		29,325
	$	134,083	$	149,075
Long term debt				
Senior debt, non-amortizing				
Revolving debt, due in 2018		43,000		16,400
Term loan, due in 2016		12,936		13,953
Term loan, due in 2091		3,500		3,500
	$	59,436	$	33,853
Senior debt, amortizing				
Term Loan A, due 2018 (net of deferred financing charges of $0.6 million (December 31, 2015 - $0.7 million))		54,894		55,562
Term Loan B, due 2019 (including the embedded derivative, net of deferred financing charges of $1.4 million)		319,880		335,024
Marine mortgage, due in 2017		460		457
Other loans		260		277
		375,494		391,320
Deferred obligation		39,986		43,035
Earnout liability		10,922		12,561
Total long term debt		485,838		480,769
Total capital	$	619,921	$	629,844

There are 59,958,998 shares outstanding as of April 2, 2016 (December 31, 2015 - 59,958,998).

On June 30, 2015, Clearwater issued 4,980,900 shares at $12.25 per Share yielding gross proceeds of approximately $61 million (proceeds net of expenses were $58.6 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 $100.0 million (denominated in either Canadian or the US dollar equivalent) and it matures in June 2018. The balance was CDN $43.0 million at April 2, 2016 (December 31, 2015 - CDN $16.4 million). 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 $10.0 million non-amortizing term loan and as such the availability as at April 2, 2016 was $44.1 million (December 31, 2015 - $69.6 million).

- Non-amortizing debt consists of a US $10.0 million loan due in June 2016 and a CAD $3.5 million loan due in 2091.

- Amortizing senior debt consists of a term loan A and a term loan B.

  Term loan A has principal outstanding as at April 2, 2016 of CDN $55.5 million (December 31, 2015 – CDN $56.2 million). The balance is shown net of deferred financing charges of $0.6 million (December 31, 2015 - $0.7 million).

    The initial portion of term loan A has a principal outstanding as at April 2, 2016 of CDN $26.6 million (December 31, 2015 – CDN $27.0 million). The balance is shown net of deferred financing charges of CDN $0.1 million (December 31, 2015 - $0.1 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 April 2, 2016 this resulted in an effective rate of approximately 4.11%.

    The second portion of the term loan A (a delayed draw portion) has a principal outstanding as at April 2, 2016 of CDN $ $28.9 million (December 31, 2015 – CDN $ $29.3 million). The balance is shown net of deferred financing charges of CDN $0.5 million (December 31, 2015 - $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%.

  Term Loan B - The principal outstanding as at April 2, 2016 was USD $189.2 million (December 31, 2015 - $189.7 million) and CAD $74.6 million (December 31, 2015 - $74.8 million).

    The USD 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 April 2, 2016 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.

The CAD loan is repayable in quarterly instalments of CAD $0.2 million with the balance due at maturity in June 2019. It bears interest payable monthly at a floating rate that is currently approximately 4.36%. 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.

- The Deferred Obligation and Earn out relate to the acquisition of Macduff in 2015 and work as follows:

  The Deferred Obligation relates to 33.75% of the shares of Macduff Shellfish Group Limited acquired by Clearwater (the "Earn Out Shares"). The principal amount of the deferred obligation at April 2, 2016 was £26.2 million and is recorded at a discounted amount of £21.6 million (CDN $39.9 million) (December 31, 2015 - £20.9 million, CDN $40.0 million) based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.8%.

  In each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout. The fair value of the Deferred Obligation is estimated as of the acquisition date based on, discounting the projected future cash out flows.

  The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout at April 2, 2016 was £5.9 million (CDN $10.9 million) (December 31, 2015 - £6.1 million, CDN $12.6 million) based on forecast earnings and probability assessments. The actual Earnout payments are to be paid over the next five years.

The amount of the total Earnout is calculated as follows:
The greater of:

i. £3.8 million; OR
ii. up to 33.75% (dependent upon the percentage of Deferred obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA less the outstanding debt of Macduff; and
iii. 10% of adjusted EBITDA above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

The Earnout liability is recorded at fair value on the balance sheet at each reporting period until paid in cash, with changes in the estimated fair value being recorded as a component of other expense on the statement of operations.

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 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 fixed at 5.85% to June 2018.
- USD $50 million of the Term Loan B is fixed at 6.15% to June 2019.
- 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.
- 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.

Taking into account the above interest rate swaps and excluding revolving loans, deferred compensation and the related earnout, Clearwater has effectively fixed the interest rate on 43% of its debt.

Clearwater includes the change in market value for all interest rate swap and foreign exchange swap arrangements in earnings during the period in finance costs.

The revolver, term loan A 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**.**

Acquisition and financing of Macduff Shellfish Group Limited

On October 30, 2015 Clearwater completed its acquisition of 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 Term Loan B facility
- CAD $25 million increase in Revolving Loan Facility
- CAD $51 million borrowing on existing Revolving Loan Facility and cash on hand

LIQUIDITY

Clearwater has a number of treasury management policies and objectives 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 April 2, 2016 Clearwater had $46.3 million in cash, and a $100 million revolving loan, of which $44.1 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 manages this ratio. As of April 2, 2016 leverage decreased to 4.1x adjusted EBITDA from 4.4x as of December 31, 2015.

  With the acquisition of Macduff, on October 30, 2015, leverage increased to approximately 5.3x at closing and subsequently declined in line with management expectations to 4.4x as at December 31, 2015 and 4.1x at April 2, 2016.

  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. As a result, leverage is expected to increase in the second quarter and improve to be less than 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 or lower with the intention of returning to this goal over the course of one to two years.

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	April 2 2016	December 31 2015	April 4 2015	March 29 2014
Adjusted EBITDA[1] (excluding non-controlling interest)	$ 108,737	$ 101,310	$ 69,424	$ 63,448
Debt[2] (excluding non-controlling interest)				
(net of deferred financing charges of 2.0 million (December 31, 2015 - $2.3 million) (April 4, 2015 - $0.6 million))	487,305	475,685	293,203	265,767
Less cash (excluding non-controlling interest)	(36,461)	(32,938)	(17,866)	(37,376)
Net debt	$ 450,844	$ 442,748	$ 275,337	$ 228,391
Leverage	4.1	4.4	4.0	3.6

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

2 - Debt at April 2, 2016 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– Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when managing its' business.

  (5) Foreign exchange risk management - 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 May 17, 2016 Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $50.0 million at an average rate of 1.29;
- 2.7 billion Yen at an average rate of .011; and
- 35.5 million Euro at an average rate of 1.46.

In addition Clearwater had forward exchange contracts to be settled in 2017 of:

- US dollar $11.5 million at an average rate of 1.34;
- 680.0 million Yen at an average rate of .012; and
- 6.6 million Euro at an average rate of 1.45.

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 its 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 up 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 opportunities. Clearwater's goal is to grow free cash flows such that it can fund growth, target leverage of approximately 3x adjusted EBITDA and pay a sustainable dividend to its shareholders.

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

	13 weeks ended		12 months Rolling		
	April 2 2016	April 4 2015	April 2 2016	April 4 2015	March 29 2014
Adjusted EBITDA[1]	$ 18,864	$ 9,726	$ 118,870	$ 86,870	$ 78,515
Less:					
Cash Interest	(6,216)	(4,242)	(20,980)	(15,651)	(15,357)
Cash taxes	(262)	(1,300)	(859)	(3,146)	(2,076)
Other income and expense items	(2,454)	2,585	(6,628)	(4,701)	1,568
Operating cash flow before changes in working capital	9,932	6,769	90,403	63,372	62,650
Changes in working capital	(15,115)	8,397	(42,258)	10,620	8,280
Cash flows from operating activities	**(5,183)**	**15,166**	**48,145**	**73,992**	**70,930**
Uses of cash:					
Purchase of property, plant, equipment, quota and other assets	(10,356)	(28,316)	(45,430)	(71,224)	(61,418)
Disposal of fixed assets	823	-	5,407	5	873
Less: Designated borrowings[A]	-	15,122	19,974	45,074	41,179
Scheduled payments on long-term debt	(1,572)	(892)	(6,141)	(9,236)	(3,121)
Dividends received from joint venture	-	-	-	-	2,730
Distributions to non-controlling interests	(9,268)	(3,476)	(17,609)	(9,269)	(11,585)
Non-routine project costs	1,201	-	3,154	-	-
Other financing costs	-	-	676	-	-
Payments on long term incentive plans	-	8,953	-	8,953	-
Free cash flows	**$ (24,355)**	**$ 6,557**	**$ 8,176**	**$ 38,295**	**$ 39,588**
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash[B]	26,600	(15,122)	119,822	(40,388)	(44,781)
Issuance of equity	-	-	58,628	-	32,486
Other investing activities[C]	(1,897)	(2,104)	(148,723)	359	(1,110)
Other financing activities	(2,998)	(2,199)	(10,594)	(6,596)	-
Payments on long term incentive plans	-	(8,953)	-	(8,953)	-
Non-routine project costs	(1,201)	-	(3,153)	-	-
Other financing costs	-	-	(676)	-	-
Impact of foreign exchange on cash	(930)	(273)	(2,659)	(166)	679
Change in cash flows for the period	$ (4,781)	$ (22,094)	$ 20,821	$ (17,449)	$ 26,862

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 2015 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 for the twelve months rolling April 2, 2016 includes $35.1 million of cash invested in designated capital projects during the last half of 2015.
C - Other investing activities for the twelve month rolling April 2, 2016 includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

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

Free cash flows were ($24.4) million in the first quarter of 2016 as compared to +$6.6 million in the first quarter of 2015, a quarter that saw far less harvesting activity.

Strong harvesting conditions in the first quarter of 2016 allowed Clearwater to invest in inventories and receivables and position the company well to achieve strong annual adjusted EBITDA and free cash flows. In addition, distributions to non-controlling interests were higher in the first quarter of 2016 due to the timing of payments. This was partially offset by higher adjusted EBITDA.

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		12 months Rolling	
	April 2	April 4	April 2	April 4
In 000's of Canadian dollars	2016	2015	2016	2015
Decrease (Increase) in inventory	$ (5,302)	$ 5,876	$ (18,475)	$ 12,336
(Decreases) Increases in accounts payable	(14,041)	(9,947)	931	(9,966)
Decrease (Increase) in accounts receivable	2,007	12,151	(23,709)	9,128
(Increases) decrease in prepaids	2,221	317	(1,005)	(878)
	$ (15,115)	$ 8,397	$ (42,258)	$ 10,620

Working capital for the quarter ending April 2, 2016 was an investment of $15.1 million versus a source of cash of $8.4 million in the first quarter of 2015 primarily a result of strong harvesting conditions that allowed Clearwater to invest in inventories and higher accounts receivable balances the acquisition of Macduff and from strong market demand that increased sales. The strong harvesting conditions position the company well to achieve strong annual adjusted EBITDA and free cash flows.

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 2016 Clearwater expects to invest approximately $30 million in capital expenditures with the largest portion relating to vessel maintenance and refits.

- **Dividends** – On May 17, 2016 the Board of Directors approved and declared a dividend of $0.05 per share payable on June 10, 2016 to shareholders of record as of May 27, 2016.

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

    - expected future earnings;
    - 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 to increase the dividend in the future as the business continues to grow and expand.

  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 2015 annual MD&A, which section is herein incorporated by reference. Since December 31, 2015, there have been no material changes to amounts presented or expectations in the commitment schedule included in the 2015 annual MD&A.

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 delighted with our results for the first quarter and believe we are well positioned to achieve strong and profitable growth in 2016.

Increased volumes from the expansion of our clam fleet and the acquisition of Macduff as well as strong global demand across all markets and species will continue to drive our business in 2016.

In 2016 Clearwater will celebrate its 40th anniversary and kick off our next five year plan. We will continue to focus on executing with excellence against our six core strategies and see attractive business opportunities for future growth.

Core Strategies

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 improved utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

The investment in Macduff provides Clearwater with access to an incremental 15 million pounds or 20% of premium, wild caught, safe, traceable and complementary shellfish species.

In addition, in July 2015 Clearwater launched its new state-of-the-art factory clam vessel, the Belle Carnell. It is the single-largest vessel investment in Clearwater's history and is harvesting Arctic Surf Clams, Cockle Clams and Propeller Clams year-round on the Grand Banks. The vessel joined Clearwater's fleet in the fourth quarter of 2015 and significantly improves utilization of existing licenses and quota in this Marine Stewardship Council (MSC) certified sustainable fishery. The Belle Carnell is performing well and has harvested approximately 30% of the available Grand Bank quota in the first quarter. If catch rates continue at this level, this puts the vessel on track to harvest the full quota in 2016.

Target Profitable & Growing Markets, Channels & Customers – Clearwater benefits from strong and growing global demand for sustainably harvested, safe, traceable and premium wild seafood. In 2016, 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. With the acquisition of Macduff Clearwater has 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 products and formats as we 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, convenience and fair labour practices.

The acquisition of Macduff has expanded the product range Clearwater can make available to its large and growing core customer base – especially in Asia and the Americas. We see tremendous opportunity to the utilize the sales and marketing strength of the Clearwater brand and organization to provide expanded market and customer service/access to Macduff's four major species – Scallops, Langoustines, Whelk and Crab.

The expansion of our clam fleet has provided us with capacity to harvest and market Northern Propeller Clam, a species with historically limited market appeal. This product has been transformed through new product development ("NPD") into a source of incremental revenue and profit in both the Japanese and North American Sushi markets.

Clearwater's NPD efforts have also resulted in the significant growth, geographic and channel distribution expansion of our higher pressure-processed frozen raw lobster including major air and cruise lines as well major retailers in the EU and Asia.

Increase Margins by Improving Price Realization and Cost Management - In 2016 we began to continue the implementation of our “ocean to shelf” global supply chain with a focus on capturing cost savings through the greater efficiency and improved productivity of our global operations. This includes 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.

We see opportunities to drive value in utilizing Macduff North Atlantic harvesting operations, integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland. In addition, our patented next generation live lobster storage and distribution system promises to improve quality, reduce waste and significantly lower the operating costs in our lobster business. Early tests have already yielded a significant reduction in mortality in storage and distribution –the single largest industry cost driver.

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, renewable 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.

Management is evaluating multiple opportunities to fuel additional growth which will provide opportunities to continue to invest in, develop and engage our entire workforce in Canada and abroad.

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 managing its' business, 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 2015 approximately 43.2% of Clearwater's sales were denominated in US dollars.

Based on 2015 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 $1.7 million change in sales.

- a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $0.8 million change in sales.
- a change of 0.001 in the Yen rate as converted to Canadian dollars would result in a change of $4.7 million in sales.

As of May 17, 2016 Clearwater had forward exchange contracts to be settled in 2016 of:

- US dollar $50 million at an average rate of 1.29;
- 2.7 billion Yen at an average rate of .011; and
- 35.5 million Euro at an average rate of 1.46.

In addition Clearwater had forward exchange contracts to be settled in 2017 of:

- US dollar $11.5 million at an average rate of 1.34;
- 680 million Yen at an average rate of .012; and
- 6.6 million Euro at an average rate of 1.45.

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.

Political risk

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

Our 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 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 December 2015 and in the first quarter of 2016 our Argentine operation has been subject to fluctuations in foreign currency related to volatility with the Argentine Peso. Clearwater continues to monitor these fluctuations and any risks that the volatility in the exchange rates could cause Clearwater to report its Argentine operations using *IAS 29 – Financial Reporting in hyperinflationary economies.*

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

Clearwater has not requested dividends to be paid since 2013 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 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 Liabilities

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, langoustine, crab 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, the United Kingdom and Argentina. The governments of Canada, the UK and EU and Argentina set the annual TAC and/or define fishing regulations for each species by reviewing scientific studies of the resource and then consulting with key stakeholders including ourselves and our competitors to determine acceptable catch levels. The potentially differing interests of our competitors may result in conflicting positions 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

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, 2015 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, 2015. 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, 2015, 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.

Limitations on Scope of Design

On October 30, 2015, Clearwater acquired 100% of the outstanding shares of Macduff Shellfish Group Limited ("Macduff"). As a result, the CEO and the CFO have determined to limit the scope of design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Macduff. The consolidated results for Clearwater for 13 weeks ended April 2, 2016 includes the following results of Macduff:

For the 13 weeks ended April 2, 2016 in 000's of Canadian dollars		**2016**
Revenue	$	25,758
Net Earnings		2,541

As at April 2, 2016 in 000's of Canadian dollars		**2016**
Current assets	$	47,889
Non-current assets		93,749
Current liabilities		8,818
Non-current liabilities		107,997

The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109, which allows for an issuer to limit the design of disclosure controls and procedures and internal control over financial reporting for a business that the issuer acquired not more than 365 days before the last day of the period covered by this MD&A.

Changes in internal control over financial reporting

On February 1, 2016, Clearwater successfully completed the implementation of its new ERP system (SAP), including general ledger, sales distribution, supply chain and transportation modules, replacing its legacy systems. As a result of the new ERP system, the Company reviewed policies and procedures materially impacted by the implementation and identified changes in the design of system access rights and changes in plant operational controls.

With the exception of the acquisition of Macduff and the implementation of the ERP, there have been no other significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from January 1, 2016 to April 2, 2016, 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

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7).

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. 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 new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. 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.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. 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 (amendments to IFRS 10)

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. 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, eve n if these assets are housed in a subsidiary.

The Company does not intend to early adopt these amendments in its financial statements for the annual period beginning January 1, 2016, as the effective date for these amendments has been deferred indefinitely.

RELATED PARTY TRANSACTIONS

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 $12.9 million dollars is the estimated book value at the time of the sale. This amount includes estimated costs for a refit of 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 second quarter of 2016.

For the 13 weeks ended April 2, 2016, Clearwater expensed approximately $0.1 million in factory and equipment rentals from companies related to a member of its management team (April 4, 2015 - $ nil).

At April 2, 2016 Clearwater had a balance of $5.0 million (December 31, 2015 - $5.3 million), included in long term receivables, for interest bearing loans made to a minority interest shareholder of a subsidiary.

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	
	April 2, 2016	**April 4, 2015**
Sales commissions	$ 758	$ 847
Management and administration	98	342
Storage fees	464	602
Other	-	80

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2016				
Sales	$ 116,225	$ -	-	
Earnings (loss)	15,812	-	-	
Earnings (loss) per share ("EPS")	0.24	-	-	
Diluted earnings (loss) per share	0.24	-	-	
Fiscal 2015				
Sales	$ 75,362	$ 116,748	$ 147,332	$ 165,503
Earnings (loss)	(28,336)	9,739	1,717	(3,793)
Earnings (loss) per share ("EPS")	(0.57)	0.10	(0.08)	(0.07)
Diluted earnings (loss) per share	(0.57)	0.10	(0.09)	(0.07)
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[1]	(0.27)	0.30	(0.02)	(0.07)

1 - Diluted earnings (loss) per share are anti-dilutive for the first quarter of 2016, for the fourth quarter of 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 earnings in the first quarter of 2016 includes unrealized foreign exchange gains of $14.8 million on the translation of the US dollar denominated debt.

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.

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 weeks ended and the rolling twelve months ended April 2, 2016, April 4, 2015 and March 29, 2014 is as follows:

	13 weeks ended		12 months Rolling		
	April 2 2016	April 4 2015	April 2 2016	April 4 2015	March 29 2014
(Loss) earnings	$ 15,812	$ (28,336)	$ 23,475	$ (6,395)	$ 4,915
Add (deduct):					
Income taxes	211	(3,219)	7,817	4,922	(8,378)
Taxes and depreciation for equity investment	(85)	(87)	1,156	1,298	926
Depreciation and amortization	6,196	6,389	29,220	25,402	24,071
Interest on long-term debt and bank charges	6,781	4,462	22,657	16,460	16,170
(Loss) earnings before interest, taxes, depreciation and amortization	$ 28,915	$ (20,791)	$ 84,325	$ 41,687	$ 37,704
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (income)	(19,142)	28,078	14,832	30,118	24,793
Fair market value on long term debt	1,795	886	(1,209)	(530)	(1,009)
Realized foreign exchange on working capital	5,074	(2,304)	5,688	(726)	1,795
Restructuring and refinancing costs	721	209	11,811	2,104	10,699
Stock based compensation	1,501	3,648	3,123	12,280	4,931
Gain on disposal of assets and quota	-	-	-	1,937	(398)
Gain on insurance claim	-	-	300	-	-
Adjusted EBITDA	**$ 18,864**	**$ 9,726**	**$ 118,870**	**$ 86,870**	**$ 78,515**
Adjusted EBITDA attributed to:					
Non-controlling interests	$ 4,103	$ 4,390	$ 22,542	$ 17,446	$ 15,067
Shareholders of Clearwater	14,761	5,336	96,328	69,424	63,448
	$ 18,864	**$ 9,726**	**$ 118,870**	**$ 86,870**	**$ 78,515**

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 weeks ended and the rolling 12 months ended April 2, 2016 and April 4, 2015 is as follows:

	13 weeks ended		Rolling 12 months ended	
	April 2 2016	April 4 2015	April 2 2016	April 4 2015
Reconciliation of (loss) earnings to adjusted earnings				
(Loss) earnings	$ 15,812	$ (28,336)	$ 23,475	$ (6,395)
Add (subtract)				
Deferred tax assets booked related to prior years	-	-	-	(2,575)
Restructuring and refinancing costs	(480)	300	5,041	2,195
Acquisition related costs	1,201	-	4,604	-
Fair value impact on purchase price allocation	-	-	2,166	-
Stock based compensation	1,501	3,648	3,123	12,280
Insurance claim	-	-	300	-
Unrealized foreign exchange	(19,142)	28,078	14,832	30,118
Devaluation of peso on working capital	4,546	-	9,890	-
Fair value on Long term debt	1,795	886	(1,209)	(530)
	(10,579)	32,912	38,747	41,488
Adjusted earnings	**$ 5,233**	**$ 4,576**	**$ 62,222**	**$ 35,093**
Adjusted earnings attributable to:				
Non-controlling interests	2,642	3,440	17,313	12,555
Shareholders	2,591	1,136	44,909	22,538
	$ 5,233	$ 4,576	$ 62,222	$ 35,093
Adjusted earnings per share:				
Weighted average of shares outstanding	59,958,998	54,978,098	N/A	N/A
Adjusted earnings per share for shareholders	0.04	0.02	N/A	N/A
Reconciliation of adjusted earnings to adjusted EBITDA				
Adjusted earnings	$ 5,233	$ 4,576	$ 62,222	$ 35,093
Add (subtract)				
Cash and deferred taxes	211	(3,219)	7,817	7,497
Depreciation and Amortization	6,196	6,389	29,220	25,402
Interest on Long term debt and bank charges	6,781	4,462	22,657	16,460
Taxes and depreciation on equity investment	(85)	(87)	1,156	1,298
Realized foreign exchange on working capital	528	(2,304)	(4,202)	(726)
Other reorganizational costs	-	(91)	-	(91)
Gain on disposal of assets	-	-	-	1,937
	13,631	5,150	56,648	51,777
Adjusted EBITDA[1]	**$ 18,864**	**$ 9,726**	**$ 118,870**	**$ 86,870**

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 April 2, 2016, December 31, 2015, April 4, 2015 and March 29, 2014 is as follows:

In 000's of Canadian dollars As at		April 2 2016	December 31 2015	April 4 2015	March 29 2014
Adjusted EBITDA[1] (excluding non-controlling interest)	$	108,737 $	101,310 $	69,424 $	63,448
Debt[2] (excluding non-controlling interest)					
(net of deferred financing charges of 2.0 million (December 31, 2015 - $2.3 million) (April 4, 2015 - $0.6 million))		487,305	475,685	293,203	265,767
Less cash (excluding non-controlling interest)		(36,461)	(32,938)	(17,866)	(37,376)
Net debt	$	450,844 $	442,748 $	275,337 $	228,391
Leverage		4.1	4.4	4.0	3.6

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

2 - Debt at April 2, 2016 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 weeks ended and the rolling twelve months ended April 2, 2016, April 4, 2015 and March 29, 2014 is as follows:

	13 weeks ended		12 months Rolling		
	April 2 2016	April 4 2015	April 2 2016	April 4 2015	March 29 2014
Adjusted EBITDA[1]	$ 18,864	$ 9,726	$ 118,870	$ 86,870	$ 78,515
Less:					
Cash Interest	(6,216)	(4,242)	(20,980)	(15,651)	(15,357)
Cash taxes	(262)	(1,300)	(859)	(3,146)	(2,076)
Other income and expense items	(2,454)	2,585	(6,628)	(4,701)	1,568
Operating cash flow before changes in working capital	9,932	6,769	90,403	63,372	62,650
Changes in working capital	(15,115)	8,397	(42,258)	10,620	8,280
Cash flows from operating activities	**(5,183)**	**15,166**	**48,145**	**73,992**	**70,930**
Uses of cash:					
Purchase of property, plant, equipment, quota and other assets	(10,356)	(28,316)	(45,430)	(71,224)	(61,418)
Disposal of fixed assets	823	-	5,407	5	873
Less: Designated borrowings[A]	-	15,122	19,974	45,074	41,179
Scheduled payments on long-term debt	(1,572)	(892)	(6,141)	(9,236)	(3,121)
Dividends received from joint venture	-	-	-	-	2,730
Distributions to non-controlling interests	(9,268)	(3,476)	(17,609)	(9,269)	(11,585)
Non-routine project costs	1,201	-	3,154	-	-
Other financing costs	-	-	676	-	-
Payments on long term incentive plans	-	8,953	-	8,953	-
Free cash flows	**$ (24,355)**	**$ 6,557**	**$ 8,176**	**$ 38,295**	**$ 39,588**
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash[B]	26,600	(15,122)	119,822	(40,388)	(44,781)
Issuance of equity	-	-	58,628	-	32,486
Other investing activities[C]	(1,897)	(2,104)	(148,723)	359	(1,110)
Other financing activities	(2,998)	(2,199)	(10,594)	(6,596)	-
Payments on long term incentive plans	-	(8,953)	-	(8,953)	-
Non-routine project costs	(1,201)	-	(3,153)	-	-
Other financing costs	-	-	(676)	-	-
Impact of foreign exchange on cash	(930)	(273)	(2,659)	(166)	679
Change in cash flows for the period	$ (4,781)	$ (22,094)	$ 20,821	$ (17,449)	$ 26,862

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 2015 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 for the twelve months rolling April 2, 2016 includes $35.1 million of cash invested in designated capital projects during the last half of 2015.
C - Other investing activities for the twelve month rolling April 2, 2016 includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

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 rolling 12 month adjusted earnings before interest and taxes ("EBIT") to average quarterly total assets including all working capital.

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended April 2, 2016, April 4, 2015 and March 29, 2014 is as follows:

In (000's) of Canadian dollars	April 2 2016	April 4 2015	March 29 2014
Adjusted EBITDA[1]	$ 118,871	$ 86,865	$ 78,519
Depreciation and amortization	32,771	23,999	23,949
Adjusted earnings before interest and taxes	86,100	62,866	54,570
Average quarterly total assets	$ 649,449	$ 460,534	$ 418,674
	13.3%	13.7%	13.0%

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		April 2, 2016		December 31, 2015
ASSETS				
Current assets				
Cash	**$**	**46,325**	$	51,106
Trade and other receivables		**79,936**		81,734
Inventories		**70,263**		65,022
Prepaids and other		**7,194**		9,587
Derivative financial instruments (Note 6)		**2,867**		3,788
		206,585		211,237
Non-current assets				
Long-term receivables		**10,053**		10,076
Other assets		**741**		1,164
Property, plant and equipment		**246,410**		251,197
Intangible assets		**189,937**		201,846
Investment in equity investee		**9,111**		9,311
Deferred tax assets		**14,448**		14,184
Goodwill		**52,932**		54,180
		523,632		541,958
TOTAL ASSETS	**$**	**730,217**	$	753,195
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**71,106**	$	82,870
Income tax payable		**221**		454
Current portion of long-term debt (Note 5)		**86,711**		65,685
Derivative financial instruments (Note 6)		**17,467**		18,622
		175,505		167,631
Non-current liabilities				
Long-term debt (Note 5)		**399,127**		415,084
Other long-term liabilities		**2,040**		2,088
Deferred tax liabilities		**19,462**		19,317
		420,629		436,489
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**157,161**		157,161
Contributed surplus		**730**		547
Retained earnings (deficit)		**(24,824)**		(36,333)
Accumulated other comprehensive loss		**(20,797)**		(1,625)
		112,270		119,750
Non-controlling interest		**21,813**		29,325
		134,083		149,075
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$**	**730,217**	$	753,195

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Earnings (Loss)

unaudited

(In thousands of Canadian dollars)

13 weeks ended		**April 2, 2016**		**April 4, 2015**
Sales	**$**	**116,225**	**$**	75,362
Cost of goods sold		**89,359**		61,154
		26,866		14,208
Administrative and selling costs		**14,220**		13,152
Net finance (income) costs (Note 6 (d))		**(5,633)**		23,342
Losses on contract derivatives (Note 6 (f))		**1,967**		8,935
Other expenses		**13**		17
Research and development		**276**		317
		10,843		45,763
Earnings (loss) before income taxes		**16,023**		(31,555)
Income tax expense (recovery)		**211**		(3,219)
Earnings (loss) for the period	**$**	**15,812**	**$**	(28,336)
Earnings (loss) attributable to:				
Non-controlling interest	**$**	**1,305**	**$**	3,062
Shareholders of Clearwater		**14,507**		(31,398)
	$	**15,812**	$	(28,336)
Basic and diluted earnings (loss) per share (Note 7)	**$**	0.24	**$**	(0.57)

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Other Comprehensive Loss

unaudited

(In thousands of Canadian dollars)

13 weeks ended	April 2, 2016	April 4, 2015
Earnings (loss) for the period	**$ 15,812**	$ (28,336)
Other comprehensive (loss) income -		
Items that may be reclassified subsequently to (loss) income:		
Foreign currency translation differences of foreign operations	**(19,039)**	599
Total comprehensive loss for the period	**$ (3,227)**	$ (27,737)
Total comprehensive income (loss) attributable to:		
Non-controlling interest	**$ 1,438**	$ 3,182
Shareholders of Clearwater	**(4,665)**	(30,919)
	$ (3,227)	$ (27,737)

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, 2015	**$ 97,267**	**$ -**	**$ 11,084**	**$ (5,326)**	**$ 24,962**	**$ 127,987**
Total comprehensive income (loss) for the period	-	-	(31,398)	479	3,182	(27,737)
Transactions recorded directly in equity						
Distributions to non-controlling interest	-	-	-	-	(4,039)	(4,039)
Dividends declared on common shares	-	-	(2,199)	-	-	(2,199)
Total transactions with owners	-	-	(2,199)	-	(4,039)	(6,238)
Balance at April 4, 2015	**$ 97,267**	**$ -**	**$ (22,513)**	**$ (4,847)**	**$ 24,105**	**$ 94,012**
Total comprehensive income (loss) for the period	-	-	(6,210)	3,222	13,902	10,914
Transactions recorded directly in equity						
Issuance of common shares	59,894	-	-	-	-	59,894
Share-based compensation	-	547	-	-	-	547
Distributions to non-controlling interest	-	-	-	-	(8,682)	(8,682)
Dividend equivalent units on equity-settled share-based compensation	-	-	(14)	-	-	(14)
Dividends declared on common shares	-	-	(7,596)	-	-	(7,596)
Total transactions with owners	59,894	547	(7,610)	-	(8,682)	44,149
Balance at December 31, 2015	**$ 157,161**	**$ 547**	**$ (36,333)**	**$ (1,625)**	**$ 29,325**	**$ 149,075**
Total comprehensive income (loss) for the period	-	-	14,507	(19,172)	1,438	(3,227)
Transactions recorded directly in equity						
Share-based compensation	-	183	-	-	-	183
Distributions to non-controlling interest	-	-	-	-	(8,950)	(8,950)
Dividends declared on common shares	-	-	(2,998)	-	-	(2,998)
Total transactions with owners	-	183	(2,998)	-	(8,950)	(11,765)
Balance at April 2, 2016	**$ 157,161**	**$ 730**	**$ (24,824)**	**$ (20,797)**	**$ 21,813**	**$ 134,083**

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		**April 2, 2016**		**April 4, 2015**
Operating				
Earnings (loss) for the period	**$**	**15,812**	$	(28,336)
Adjustments for:				
Depreciation and amortization		**8,941**		5,902
Net finance (income) costs		**(12,287)**		32,531
Fair value adjustments to financial instruments		**1,795**		886
Income tax expense (recovery)		**211**		(3,219)
Share-based compensation		**1,501**		3,648
Earnings in equity investee		**199**		238
Foreign exchange and other		**195**		(269)
		16,367		11,381
Change in non-cash operating working capital (Note 12)		**(16,878)**		5,078
Interest paid		**(4,453)**		(923)
Income tax paid		**(219)**		(370)
	$	**(5,183)**	$	15,166
Financing				
Repayment of long-term debt		**(1,572)**		(892)
Net proceedes from revolving credit facility		**26,600**		-
Distributions paid to non-controlling interest		**(9,268)**		(3,476)
Advances to minority partners		**(483)**		(424)
Dividends paid on common shares		**(2,998)**		(2,199)
	$	**12,279**	$	(6,991)
Investing				
Purchase of property, plant and equipment		**(10,356)**		(28,316)
Proceeds on disposal of property, plant and equipment		**823**		-
Purchase of other assets		**(1,166)**		(39)
Net advances in long-term receivables		**(248)**		(1,641)
	$	**(10,947)**	$	(29,996)
Effect of foreign exchange rate changes on cash	**$**	**(930)**	$	(273)
DECREASE IN CASH		**(4,781)**		(22,094)
CASH, BEGINNING OF PERIOD		**51,106**		47,598
CASH, END OF PERIOD	**$**	**46,325**	$	25,504

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 April 2, 2016 and December 31, 2015 and for the 13 weeks ended April 2, 2016 and April 4, 2015 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, 2015 (included in Clearwater's 2015 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 May 17, 2016.

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, 2015 financial statements, except as described below.

(b) 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, 2016. These changes were made in accordance with the applicable transitional provisions.

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. These amendments had no impact on Clearwater.

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. These improvements had no impact on Clearwater.

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. These amendments had no impact on Clearwater.

(c) New accounting standards not yet adopted

Disclosure Initiative (Amendments to IAS 7)

On January 7, 2016 the IASB issued Disclosure Initiative (Amendments to IAS 7).
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities.

The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the amendments has not yet been determined.

Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences.

The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. 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 new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. 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.

IFRS 16 Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. 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 (amendments to IFRS 10)

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. 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, eve n if these assets are housed in a subsidiary.

The Company does not intend to early adopt these amendments in its financial statements for the annual period beginning January 1, 2016, as the effective date for these amendments has been deferred indefinitely.

(d) 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, 2015, (refer to Note 2(d) of the 2015 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.

4. BUSINESS COMBINATIONS

On October 30, 2015 Clearwater acquired 100% of all outstanding shares of Macduff Shellfish Group Limited ("Macduff"), a wild shellfish company based in Scotland, pursuant to the terms and conditions set forth in a share purchase agreement dated October 9, 2015. Macduff expands Clearwater's access to shellfish supply and diversifies Clearwater's access in wild shellfish complementary species including King and Queen scallops, langoustine, brown crab and whelk, the majority of which is sold within the European market. The transaction will allow Clearwater to integrate its vessel management and sustainable harvesting practices, innovative processing technologies along with its global sales, marketing and distribution into Macduff, a company that holds resource assets, 13 mid-shore scallop trawlers, and a strong presence in the European Union.

The total fair value of the consideration paid or payable by Clearwater in connection with the Acquisition as of the closing was £81 million plus the repayment of Macduff outstanding debt facilities of £19 million (CDN $39.0 million) and management fees of £1.6 million (CDN $3.2 million) for a total of £102 million (CDN $206 million).

The fair value of the consideration of approximately £81 million is comprised of:

- cash paid on closing to shareholders of £54 million (CDN $109.2 million);
- an unsecured £26.2 million deferred consideration obligation ("Deferred Obligation") with a fair value of £20.9 million (CDN $42.3 million); and
- unsecured additional consideration to be paid in the future dependent upon the future financial performance of Macduff ("Earnout") with an acquisition date estimated fair value of £6.1 million (CDN $12.4 million).

The Company has incurred acquisition-related costs of $3.2 million for legal fees, due diligence, and other related costs. These costs have been recorded in other expenses.

Clearwater financed the cash portion of the acquisition from existing loan facilities and cash on hand including (refer to Note 5):

- 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

The following table summarizes the purchase price for the Macduff acquisition as of October 30, 2015:

(Tabular amounts are in thousands of Canadian dollars)

	Estimated Preliminary Fair value in Sterling (£)	Estimated Preliminary Fair value in CDN ($)
Cash paid to settle outstanding shareholder loans	£ 28,228	$ 57,181
Cash paid to settle preferred shares and dividends	20,144	40,806
Cash paid to acquire common shares	5,542	11,226
	£ 53,914	$ 109,214
Repayment of loans:		
Repayment of Macduff bank loans and revolver	19,275	39,045
Payment of Management fees	1,599	3,239
	£ 20,874	$ 42,284
Deferred Obligation:		
Fair value of unsecured Deferred obligation (Refer to Note 5)	20,900	42,337
Fair value of unsecured Earnout (Refer to Note 5)	6,100	12,357
	£ 27,000	$ 54,694
Total purchase price consideration	£ 101,788	$ 206,192

Deferred Obligation

The Deferred Obligation applies to 33.75% of the shares acquired by Clearwater (the "Earn Out Shares"). The amount of £26.2 million will be paid over the next five to six years, depending on whether the holders of the Earn Out Shares elect to be paid in the first year (after which Clearwater has the right to exercise the payout). The fair value the Deferred Obligation was determined to be £20.9 million (CDN $42.3 million) as of the acquisition date based on the expected cash flow timing discounted at a rate of 7.75%. Refer to Note 5 for further information on the deferred obligation at April 2, 2016.

The Earnout

The Earnout is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The acquisition date estimated fair value of the Earnout is £6.1 million (CDN $12.4 million) based on forecast earnings and probability assessments. The actual Earnout payments are expected to be paid over the next five years. Refer to Note 5 in the 2015 annual financial statements for further information on the fair value of the Earnout at April 2, 2016.

The initial estimates of the fair value of the identifiable assets and liabilities of the acquisition as at the date of the acquisition were as follows:

(Tabular amounts are in thousands of Canadian dollars)

		Provisional Fair value recognized on acquisition CDN ($)
Assets		
Cash	$	9,119
Accounts receivable		18,220
Inventories		21,314
Other assets		5,342
Branding		12,474
Property, plant and equipment		33,994
Licenses and fishing rights		89,805
	$	190,268
Liabilities		
Trade and other payables		(13,236)
Capital leases		(1,337)
Deferred tax liabilities		(21,302)
		(35,875)
	$	154,393
Goodwill arising on acquisition		51,799
Total purchase price consideration	$	206,192

The estimates of fair value at the end of April 2, 2016 remain consistent with the exception of an increase in deferred tax liability and Goodwill of CDN $1.6 million related to a temporary difference between the fair value of the deferred consideration between the tax basis and the accounting basis.

The net assets recognized in the December 31, 2015 financial statements are based on provisional estimates of fair value. The Company has engaged an independent valuations advisor to value the acquired assets. The final valuation is not complete due to the timing of the acquisition and the inherent complexity associated with the valuations and thus has not been received as at the date of these financial statements were approved for issue. In addition, the Company has not finalized its measurement of the deferred taxes with respect to the acquired net assets. As a result, the financial information disclosed is based on management’s best estimates and is disclosed on a provisional basis.

Pending the finalization of the valuation reports note above and their impact on accounting for taxes, which are incomplete at this time, the Company is only able to provide provisional fair value for licenses and brands acquired as part of the acquisition based on preliminary information we have gathered during the due diligence phase of completing the acquisition and is subject to revisions in future periods resulting from the finalization of the purchase price accounting. The goodwill recognized is not expected to be deductible for income tax purposes.

(Tabular amounts are in thousands of Canadian dollars)

5. LONG-TERM DEBT

As at		April 2, 2016		December 31, 2015
Senior debt:				
Term loan A, due June 2018	**$**	**54,894**	$	55,562
Term loan B, due June 2019		**315,975**		332,671
Term loan B, embedded derivative		**3,905**		2,353
Revolving facility (a)		**43,000**		16,400
Deferred obligation (b)		**39,986**		43,035
Earnout liability (b)		**10,922**		12,561
Term loan, due June 2016 (c)		**12,936**		13,953
Marine mortgage, due in 2017		**460**		457
Term loan, due in 2091 (d)		**3,500**		3,500
Other loans		**260**		277
		485,838		480,769
Less: current portion		**(86,711)**		(65,685)
	$	**399,127**	$	415,084

(a) Senior debt consists of a Term Loan A facility, a Term Loan B facility, and a revolving debt facility.

Term Loan A facility – The term loan A consists of an initial term loan of CDN $30.0 million and a delayed draw facility of CDN $30.0 million. The principal outstanding on the initial term loan as at April 2, 2016 was CDN $26.6 million (December 31, 2015 - $27.0 million). The balance is shown net of deferred financing charges of CDN $0.1 million (December 31, 2015 - $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 April 2, 2016 this resulted in an effective rate of 4.11%.

The principal outstanding on the term loan A delayed draw facility as at April 2, 2016 was CDN $28.9 million (December 31, 2015 - $29.3 million). The balance is shown net of deferred financing charges of CDN $0.5 million (December 31, 2015 - $0.6 million). The facility is repayable in quarterly installments of $0.4 million. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%. As at April 2, 2016 this resulted in an effective rate of 4.11%.

Term Loan B facility - The principal outstanding as at April 2, 2016 was USD $189.2 million (December 31, 2015 - $189.7 million) and CAD $74.6 million (December 31, 2015 - $74.8 million). The loan is repayable in quarterly installments of USD $0.5 million and CAD $0.2 million, with the balance due at maturity in June 2019. The USD balance bears interest payable monthly at the US Libor plus 3.50% with a Libor interest rate floor of 1.25%, and the CAD balance bears interest at the banker's acceptance rate plus 3.50%. As of April 2, 2016 this resulted in an effective rate of 4.75% on the USD balance and 4.36% on the CAD balance. 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.

Revolving debt facility – Clearwater has a CDN $100.0 million revolving facility that matures in June 2018. The availability of this facility is reduced by the term loan outstanding in note (c), as such the availability as at April 2, 2016 was $44.1 million (December 31, 2015 - $69.6 million). The facility can be drawn in Canadian and/or US dollars. As at April 2, 2016 the balances were Canadian $ 43.0 million (December 31, 2015 - $ 16.4 million) and US dollars of $ nil (December 31, 2015 - $ 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 April 2, 2016 this results in effective rates of 4.11% for Canadian dollar balances and 3.88% for US dollar balances.

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 Loans A and B, the loan agreement requires that between 0% and 50% of excess cash flow (defined in the loan agreement as EBITDA, excluding non-controlling interest in EBITDA and the most significant non-cash and non-recurring items less certain scheduled principal payments, certain capital expenditures and certain cash taxes) be used to repay the principal 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. Subsequent to the end of the quarter, Clearwater repaid $18.6 million in principal relating to this requirement (2015 - $7.3 million).

Refer to note 6(b) for detail on interest rate caps and swaps that economically hedge interest rate risk on the term loans.

(b) In connection with the 2015 acquisition of Macduff, there are two components of the purchase price that are to be paid in future periods as discussed below:

(i) Deferred obligation - The deferred obligation relates to deferred payments for 33.75% of the shares of Macduff acquired by Clearwater (the "Earn Out Shares") in 2015. The principal balance outstanding as at April 2, 2016 is £26.2 million (December 31, 2015 - £26.2 million) and does not bear interest.

On October 30th of each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout. The Deferred Obligation is recorded at the discounted amount based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.8%.

(ii) Earnout liability - The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout liability as at April 2, 2016 is £5.9 million with a Canadian equivalent of $10.9 million (December 31, 2015 - £6.1 million, Canadian equivalent of $12.6 million) based on forecast earnings and probability assessments. The actual Earnout payments will be paid over the next five years. Refer to Note 4 in the 2015 annual financial statements for further information.

The amount of the total Earnout liability is calculated as follows:

The greater of:
(i) £3.8 million; OR
(ii) up to 33.75% (dependent upon the percentage of Deferred obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA of Macduff less the outstanding debt of Macduff; and
(iii) 10% of adjusted EBITDA of Macduff above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

Refer to Note 13(l) of the 2015 annual financial statements for further information on the process in which to determine the fair value of the Earnout liability. The Earnout liability is recorded at fair value on the balance sheet at each reporting period until paid in cash, with changes in the estimated fair value being recorded as a component of other expense on the statement of operations. The change in fair value for the 13 weeks ended April 2, 2016 was a decrease (gain) of £0.2 million.

(c) Term Loan - The principal outstanding as at April 2, 2016 was USD $10.0 million (December 31, 2015 - 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%.

(d) Term Loan - due in 2091. In connection with this term 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%.

(e) Clearwater has a multi-currency revolving facility which 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 April 2, 2016 the balance of the revolving facility was DKK nil million (December 31, 2015 - DKK nil 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.

(Tabular amounts are in thousands of Canadian dollars)

6. FINANCIAL INSTRUMENTS

The Company periodically enters into derivatives as part of an active risk management 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		April 2, 2016		December 31, 2015
Derivative financial assets				
Forward foreign exchange contracts	**$**	**671**	$	-
Interest rate cap, floors and swap contracts		**2,196**		3,788
	$	**2,867**	$	3,788
Derivative financial liabilities				
Forward foreign exchange contracts		**(5,998)**		(12,437)
Interest rate and cross-currency swap contracts		**(11,469)**		(6,185)
	$	**(17,467)**	$	(18,622)

(a) Clearwater has forward contracts maturing each month until March 2017. At April 2, 2016 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)
Contracts in asset position					
Sell:					
Euro	5,000	1.503	1	$	61
USD	23,050	1.325	2		526
Yen	680,100	0.012	2		84
				$	671
Contracts in liability position					
Sell:					
Euro	40,250	1.450	5	$	(1,806)
USD	44,000	1.268	3		(1,371)
Yen	2,926,000	0.011	4		(2,821)
				$	(5,998)

(Tabular amounts are in thousands of Canadian dollars)

At December 31, 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	43,400	1.446	8	(3,153)
USD	65,200	1.279	7	(6,466)
Yen	3,356,000	0.011	8	(2,818)
				$ (12,437)

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% 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 April 2, 2016 was nil million (December 31, 2015 - nil million). The notional amount of the forward contracts subject to the contract rate being adjusted by 25% in US dollars at April 2, 2016 was $5.5 million (December 31, 2015 - $13.2 million).

(b) At April 2, 2016 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 B - Interest rate floor	September 2014	June 2016	4.75%	USD	50,000	1,167
Term Loan B - Interest rate floor	October 2015	June 2018	LIBOR + 1.25%	USD	75,000	1,029
						$ 2,196

(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 2015	June 2018	5.85%	CAD	12,000	$ (456)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(3,444)
Term Loan B - Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(3,822)
Term Loan B - Cross-currency swap	October 2015	June 2018	CAD Banker's Acceptance + 4.41%	CAD	99,263	(3,747)
						$ (11,469)

(c) At December 31, 2015 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	$ -
Term Loan B - Interest rate cap	September 2014	June 2016	4.75%	USD	50,000	710
Term Loan B - Interest rate floor	October 2015	June 2018	LIBOR + 1.25%	USD	75,000	750
Term Loan B - Cross-currency swap	October 2015	June 2018	CAD Banker's Acceptance + 4.41%	CAD	99,263	2,328
						$ 3,788

	Effective Date	Expiry Date	Contracted fixed interest rate	Currency	Notional Amount (in 000's)	Fair Value (Liability)
Term Loan A - Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	$ (495)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(2,702)
Term Loan B - Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(2,988)
						$ (6,185)

(Tabular amounts are in thousands of Canadian dollars)

(d) Net finance (income) costs

13 weeks ended		**April 2, 2016**		April 4, 2015
Interest expense on financial liabilities	**$**	**6,216**	$	4,242
Amortization of deferred financing charges and accretion		**565**		220
		6,781		4,462
Fair value adjustment on convertible debentures and embedded derivative		**1,795**		886
Accretion on deferred consideration		**1,318**		-
Foreign exchange (gain) loss on long-term debt and working capital (Note 6(e))		**(15,402)**		17,994
Debt refinancing fees and other		**(125)**		-
	$	**(5,633)**	$	23,342

(e) Foreign exchange on long-term debt and working capital per note 6 (d)

		13 weeks ended		
13 weeks ended		**April 2, 2016**		**April 4, 2015**
Realized loss (gain)				
Working capital and other	**$**	**5,074**	$	(2,304)
Unrealized (gain) loss				
Foreign exchange on long-term debt and working capital		**(20,476)**		20,298
	$	**(15,402)**	$	17,994

(Tabular amounts are in thousands of Canadian dollars)

(f) Losses on contract derivatives

13 weeks ended		**April 2, 2016**		**April 4, 2015**
Realized loss				
Foreign exchange contracts	**$**	**1,951**	$	1,155
Unrealized (gain) loss				
Foreign exchange contracts		**(6,859)**		5,937
Interest rate and cross-currency swaps and caps		**6,875**		1,843
		16		7,780
	$	**1,967**	$	8,935

(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:

	Fair value		**Amortized cost**		**Total**	
As at April 2, 2016	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Assets:						
Cash	$ 46,325	$ -	$ -	$ -	**$ 46,325**	**$ 46,325**
Trade and other receivables	-	-	79,936	-	**79,936**	**79,936**
Long-term receivables	-	-	10,053	-	**10,053**	**10,053**
Forward foreign exchange contracts	-	671	-	-	**671**	**671**
Interest rate caps and floor	-	2,196	-	-	**2,196**	**2,196**
	$ 46,325	$ 2,867	$ 89,989	$ -	**$ 139,181**	**$ 139,181**
Liabilities:						
Trade and other payables [1]	$ -	$ -	$ -	$ (58,561)	**$ (58,561)**	**$ (58,561)**
Long-term debt	-	-	-	(471,011)	**(471,011)**	**(471,532)**
Forward foreign exchange contracts	-	(5,998)	-	-	**(5,998)**	**(5,998)**
Embedded derivative	-	(3,905)	-	-	**(3,905)**	**(3,905)**
Interest rate and cross-currency swaps	-	(11,469)	-	-	**(11,469)**	**(11,469)**
Earnout liability	(10,922)				**(10,922)**	**(10,922)**
	$ (10,922)	$ (21,372)	$ -	$ (529,572)	**$ (561,866)**	**$ (562,387)**

	Fair value		**Amortized cost**		**Total**	
As at December 31, 2015	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Assets :						
Cash	$ 51,106	$ -	$ -	$ -	**$ 51,106**	**$ 51,106**
Trade and other receivables	-	-	81,734	-	**81,734**	**81,734**
Long-term receivables	-	-	10,076	-	**10,076**	**10,076**
Interest rate caps, floors and cross-currency swaps	-	3,788	-	-	**3,788**	**3,788**
	$ 51,106	$ 3,788	$ 91,810	$ -	**$ 146,704**	**$ 146,704**
Liabilities:						
Trade and other payables [1]	$ -	$ -	$ -	$ (71,464)	**$ (71,464)**	**$ (71,464)**
Long-term debt	-	-	-	(465,855)	**(465,855)**	**(466,614)**
Forward foreign exchange contracts	-	(12,437)	-	-	**(12,437)**	**(12,437)**
Embedded derivative	-	(2,353)	-	-	**(2,353)**	**(2,353)**
Interest rate swaps	-	(6,185)	-	-	**(6,185)**	**(6,185)**
Earnout liability	(12,561)				**(12,561)**	**(12,561)**
	$ (12,561)	$ (20,975)	$ -	$ (537,319)	**$ (570,855)**	**$ (571,614)**

1 - Trade and other payables excludes the liability for share based compensation of $12.5 million at April 2, 2016 (December 31, 2015 - $11.4 million).

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. 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.

The estimated fair value of Clearwater's long term debt for which carrying value did not approximate fair value at April 2, 2016 was $57.0 million (December 31, 2015 - $18.9 million) and the carrying value was $57.1 million (December 31, 2015 – $18.2 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.

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:

(Tabular amounts are in thousands of Canadian dollars)

As at April 2, 2016	Level 1	Level 2	Level 3
Recurring measurements			
Financial assets:			
Cash	$ 46,325	$ -	$ -
Forward foreign exchange contracts	-	671	-
Interest rate caps and floor	-	2,196	-
	$ 46,325	$ 2,867	$ -
Financial liabilities:			
Forward foreign exchange contracts	$ -	$ (5,998)	$ -
Embedded derivative	-	(3,905)	-
Interest rate and cross-currency swaps	-	(11,469)	-
Earnout liability			(10,922)
	$ -	$ (21,372)	$ (10,922)

As at December 31, 2015	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	51,106	-	-
Interest rate caps, floors and cross-currency swaps	-	3,788	-
	$ 51,106	$ 3,788	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(12,437)	-
Embedded derivative	-	(2,353)	-
Interest rate swaps	-	(6,185)	-
Earnout liability	-	-	(12,561)
	$ -	$ (20,975)	$ (12,561)

There were no transfers between levels during the periods ended April 2, 2016 and December 31, 2015.

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 Earnout liability relating to the Macduff acquisition is a financial liability categorized in Level 3 as the fair value measurement of this financial liability is based on significant inputs not observable in the market.

To determine the fair value of the Earnout liability three primary sources of risk are assessed (i) the risk associated with the underlying performance of Macduff's EBITDA ("Earnings before interest, taxes, depreciation and amortization"), (ii) the risk associated with the functional form of the Earnout payments; and (iii) the credit risk associated with the future Earnout payments. The fair value of the Earnout payments is estimated based on a Monte Carlo simulation under a risk-neutral framework. The preliminary fair value of the Earnout is estimated based on discounted expected future EBITDA cash flows for Macduff for the next five years using a Geometric Brownian Motion model. The following inputs and assumptions were used in calculating the fair value of the Earnout including:

- Payments dates: The Earnout will be payable for the periods ending December 31, 2016 through December 31, 2020, based on the expected pattern of the Deferred Obligation and the expected outstanding amount of Deferred Obligation at the end of each year.
- Forecasted EBITDA: Management's five year forecast
- Risk free rate: 0.973%
- Risk adjusted discount rates: 7%-10%
- Asset volatility: The estimated asset volatility of Macduff is based on the Merton option pricing model. In the context of calculating the asset volatility, the following inputs to derive the asset volatility were used:
    - Debt value: £19 million
    - Enterprise Value: £100 million
    - Equity value: £81 million
    - Equity volatility: 41%

A risk adjusted payout is calculated at each time period and discounted at the risk-free rate to the valuation date. This process is simulated 100,000 times and the expected value of the Earnout is retrieved. Based on the range of risk adjusted discount rates (per above) the range in fair values determined was between £5.5 million and £6.3 million.

The change in the fair value of the Earnout liability from December 31, 2015 to April 2, 2016 was decrease of £0.2 million.

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

7. 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):

(Tabular amounts are in thousands of Canadian dollars)

13 weeks ended		**April 2, 2016**		**April 4, 2015**
Basic and diluted				
Earnings (loss) for the period	**$**	**14,507**	$	(31,398)
Weighted average number of shares outstanding		**59,958,998**		54,978,098
Earnings (loss) per share	**$**	**0.24**	$	(0.57)

The revaluation adjustments on the cash-settled share-based payments for the 13 weeks ended April 2, 2016 results in anti-dilutive earnings (loss) per share. As a result, for the period ended April 2, 2016, 140,093 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.

8. 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, net of deferred taxes of $1.2 million, from the recorded amount for the common shares. Clearwater recorded $1.2 million in deferred tax assets relating to equity issuance costs.

Total common shares outstanding as at April 2, 2016 was 59,958,998 common shares.

Subsequent to the end of the quarter, on May 17, 2016 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on June 10, 2016 to shareholders of record as of May 27, 2016.

(Tabular amounts are in thousands of Canadian dollars)

9. 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		**April 2, 2016**		**April 4, 2015**
Scallops	**$**	**39,058**	$	19,390
Coldwater shrimp		**20,955**		21,761
Lobster		**21,558**		18,514
Clams		**18,611**		15,414
Langoustine		**8,922**		-
Crab		**1,438**		7
Groundfish and other shellfish		**5,683**		276
	$	**116,225**	$	75,362

(b) Sales by geographic region of the customer

13 weeks ended		**April 2, 2016**		**April 4, 2015**
France	**$**	**22,108**	$	4,799
Scandinavia		**7,107**		9,842
UK		**3,043**		3,121
Other		**15,647**		5,624
Europe		**47,905**		23,386
China		**17,683**		12,530
Japan		**15,602**		13,430
Other		**9,662**		4,049
Asia		**42,947**		30,009
United States		**17,285**		15,443
Canada		**7,901**		6,148
North America		**25,186**		21,591
Other		**187**		376
	$	**116,225**	$	75,362

(Tabular amounts are in thousands of Canadian dollars)

(c) Non-current assets by geographic region

As at		April 2, 2016		December 31, 2015
Property, plant and equipment, licenses, fishing rights and goodwill				
Canada	**$**	**295,143**	$	291,644
Argentina		**23,143**		27,751
Scotland		**170,768**		187,620
Other		**225**		208
	$	**489,279**	$	**507,223**

10. RELATED PARTY TRANSACTIONS

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 $12.9 million dollars is the estimated book value at the time of the sale. This amount includes estimated costs for a refit of 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 second quarter of 2016.

For the 13 weeks ended April 2, 2016, Clearwater expensed approximately $0.1 million in factory and equipment rentals from companies related to a member of its management team (April 4, 2015 - $ nil).

At April 2, 2016 Clearwater had a balance of $5.0 million (December 31, 2015 - $5.3 million), included in long term receivables, for interest bearing loans made to a minority interest shareholder of a subsidiary.

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			
		April 2, 2016		April 4, 2015
Sales commissions	$	758	$	847
Management and administration		98		342
Storage fees		464		602
Other		-		80

11. CONTINGENT LIABILITIES

(Tabular amounts are in thousands of Canadian dollars)

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. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital *(excludes change in accrued interest)* 13 weeks ended		**April 2, 2016**		**April 4, 2015**
(Increase) decrease in inventory	$	**(5,302)**		5,876
Decrease in accounts payable		**(15,804)**		(13,266)
Decrease in accounts receivable		**2,007**		12,151
Decrease in prepaids		**2,221**		317
	$	**(16,878)**	$	5,078

Quarterly and share information

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

	2016	2015				2014		
	Q	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	116,225	165,503	147,332	116,748	75,362	119,498	134,069	113,403
Net earnings (loss) attributable to:								
Non-controlling interests	1,305	3,267	6,485	4,123	3,062	4,117	4,076	2,181
Shareholders of Clearwater	14,507	(7,060)	(4,768)	5,616	(31,398)	(3,987)	(1,117)	16,669
	15,812	(3,793)	1,717	9,739	(28,336)	130	2,959	18,850
Per share data								
Basic net (loss) earnings	0.24	(0.12)	(0.08)	0.10	(0.57)	(0.07)	(0.02)	0.30
Diluted net (loss) earnings	0.24	(0.12)	(0.09)	0.10	(0.57)	(0.07)	(0.02)	0.30
Adjusted earnings	0.04	0.32	0.31	0.08	0.02	0.17	0.18	0.03

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Trading price range of shares (board lots)								
High	13.63	13.43	13.13	14.42	15.24	12.23	10.80	8.70
Low	9.95	9.91	9.22	11.66	10.93	9.30	7.75	6.90
Close	12.68	11.99	9.99	12.25	13.75	11.86	10.56	8.69
Trading volumes (000's)								
Total	3,083	3,062	3,030	3,100	3,690	5,907	3,793	2,974
Average daily	50	49	51	50	58	91	67	47
Shares outstanding at end of quarter	59,958,998	59,958,998	59,958,998	59,958,998	54,978,098	54,978,098	54,978,098	54,978,098

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

Teresa Fortney
Vice-President, Finance and Chief Financial Officer

Ronald van der Giesen
President, Global Supply Chain

Greg Morency
President, Global Markets and Chief Commercial Officer

Christine Penney
Vice-President, Sustainability & Public Affairs

David Kavanagh
Vice-President and General Counsel

Dieter Gautschi
Vice-President, Human Resources

Kirk Rothenberger
Chief Information Officer, Information Services

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SHARES LISTED

Toronto Stock Exchange
SHARE Symbol: CLR

TRANSFER AGENT

Computershare Investor Services Inc.


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remarkable seafood, responsible choice
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