CLEARWATER SEAFOODS INCORPORATED

ANNUAL INFORMATION FORM

March 22, 2016

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DATE OF INFORMATION

All disclosure in this Annual Information Form ("AIF") is as of December 31, 2015, the last date of the most recently completed financial year of Clearwater Seafoods Incorporated ("CSI" or "Clearwater"), unless otherwise indicated.

FORWARD-LOOKING INFORMATION

Included in this AIF, and the documents incorporated herein by reference, is "forward-looking information" as defined under applicable Canadian securities legislation. Forward-looking information typically, but not always, contains statements with words such as "anticipate", "does not anticipate", "believe", "estimate", "forecast", "intend", "expect", "does not expect", "may", "will", "should", "plan", or other similar terms that are predictive in nature, and forward-looking information in this AIF includes, among other things, statements regarding CSI's strategies, plans and expectations for its business, the development of its products and its capital expenditures, including those described under the heading "Business of Clearwater", and future declarations of dividends. These statements are not historical facts, but instead only represent management's expectations, estimates, assumptions, plans, and projections concerning the outcome of future events. Forward-looking information relies on certain underlying assumptions that, if not realized, can result in such forward-looking information not being achieved. There can be no assurance that such forward-looking information will prove to be accurate, and actual results and future events could differ materially from those anticipated in such information. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of CSI to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Readers are therefore cautioned that management's expectations, estimates and assumptions, although considered reasonable, may prove to be incorrect and readers should not place undue reliance on forward-looking statements.

Forward-looking statements, by their nature, are based on assumptions and are subject to important risks and uncertainties. Any forecasts or forward-looking predictions or statements cannot be relied upon due to, amongst other things, changing external events and general uncertainties of the business and its corporate structure. 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, assumptions in connection with the continuance of CSI and its subsidiaries as a going concern, general economic and market conditions, the ability of CSI to obtain or maintain fishing licenses and quotas, and the political and economic stability of countries where CSI has foreign operations.

Results indicated in forward-looking statements may differ materially from actual results for a number of reasons, including without limitation, those factors discussed under the heading "Risk Factors" in this AIF, competitive conditions, whether related to new competitors or current competitors, general economic conditions, political conditions and events, and competitive pressures, changes in demographic trends, changes in consumer preferences and discretionary spending patterns, changes in national and local business and economic conditions, changes in legislation and governmental regulation, changes in accounting policies and practices, and the results of operations and financial condition of CSI, as well as other factors identified throughout this AIF or in the documents incorporated by reference herein. For additional information with respect to risk factors applicable to CSI, reference should be made to the section in this AIF entitled "Risk Factors", as well as CSI's continuous disclosure materials filed from time to time with Canadian securities regulatory authorities, including, but not limited to, CSI's annual and interim Management Discussion and Analysis.

Any financial outlook or future-oriented financial information in this AIF, as defined by applicable securities legislation, has been approved by management of CSI as of the date of this AIF. Such financial outlook or future-oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such outlook or information should not be used for purposes other than for which it is disclosed in this AIF.

The forward-looking information contained in this AIF represents the expectations of management as of the date of this AIF. However, CSI disclaims any intention or obligation to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation information

CSI was incorporated on July 7, 2011 under the name "Clearwater Seafoods Incorporated" pursuant to provisions of the *Canada Business Corporations Act* ("CBCA") to facilitate the reorganization of Clearwater Seafoods Income Fund (the "Fund") from an income trust structure to a corporate structure pursuant to a plan of arrangement under the CBCA (the "Arrangement"). On October 2, 2011 (the "Effective Date"), the Arrangement was effective and the resulting public corporation is CSI. See "Corporate Structure" and "General Development of Clearwater Seafoods Incorporated" in this AIF for more information regarding the Arrangement.

CSI's investments include the ownership of 100% of the limited partnership units of Clearwater Seafoods Limited Partnership ("CSLP") and 100% of the common shares of CS ManPar Inc. ("CS ManPar"), the general partner of CSLP. CSI's business, through CSLP, includes the ownership, operation and lease of assets and property in connection with the harvesting, processing, distribution and marketing of seafood.

Unless otherwise specified herein, references to "Clearwater" include CSI and CSLP (if referenced as at a date after the Effective Date) and include the Fund and CSLP (if referenced as at a date before the Effective Date).

The registered and head office of Clearwater is located at 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7.

On the Effective Date, CSI became a reporting issuer in all provinces of Canada and subject to the informational reporting requirements under the securities laws of such jurisdictions that had previously been the obligations of the Fund.

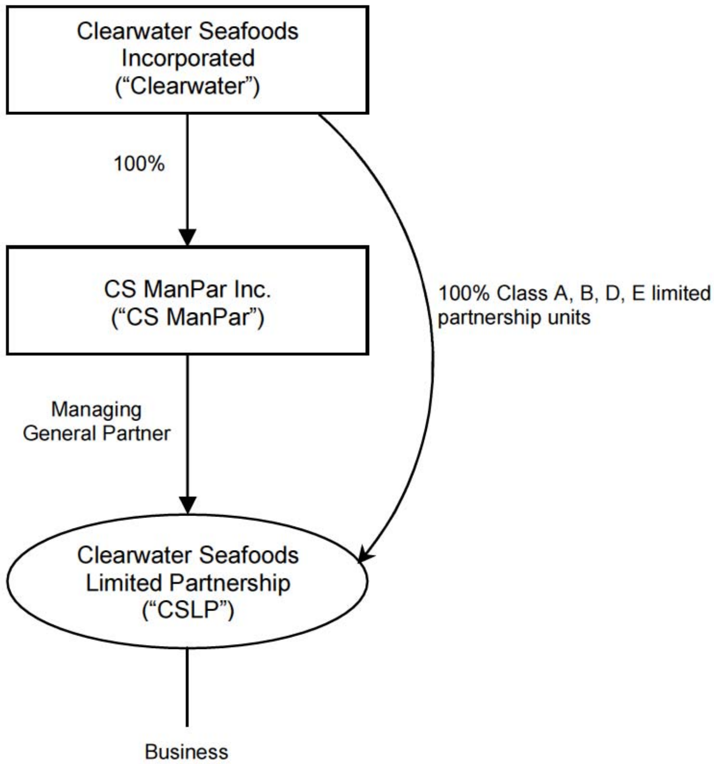
Intercorporate Relationships

The following table provides the name, the percentage of voting securities owned by CSI and the jurisdiction of incorporation or formation of CSI's subsidiaries, directly and indirectly, after the Arrangement and all post-Arrangement transactions.

	Percentage of voting securities (directly or indirectly)	Nature of Entity	Jurisdiction of Incorporation/Formation
CSLP	100%	limited partnership	Nova Scotia
CS ManPar	100%	corporation	Canada

Organizational Structure

The following diagram sets forth the organizational structure of Clearwater following the Effective Date:



Clearwater Seafoods Limited Partnership includes the following subsidiaries that represent greater than 10% of the total assets or revenues (the following table excludes all joint ventures and any subsidiaries that are less than 10% of total assets or revenues or in aggregation greater than 20%):

Subsidiary	Ownership by Clearwater Seafoods Limited Partnership	Incorporation
Clearwater Fine Foods (Europe) Limited	100%	United Kingdom
Clearwater Fine Foods (USA) Inc.	100%	Delaware, United States
Clearwater Seafoods Holdings Incorporated	100%	Canada
MacDuff Shellfish Company Limited	100%	United Kingdom

GENERAL DEVELOPMENT OF CLEARWATER SEAFOODS INCORPORATED

Set forth below are material transactions that have taken place over the past three years. In addition, see "Facilities and Capital Expenditures" for information regarding the development of Clearwater's operations in the three most recently completed financial years.

Debt Refinancing

June 2013

On June 26, 2013 Clearwater completed a refinancing of its debt facilities ("the 2013 refinancing"). The 2013 refinancing provided for the following changes to Clearwater's capital structure:

- New long term credit facilities including a Canadian $75 million Revolving Credit Facility, a Canadian $30 million Term Loan A facility, a Canadian $45 million Delayed Draw Term Loan A facility and a US $200 million Term Loan B facility.
- The refinancing of existing debt including:

  (i) the redemption of Canadian $44.4 million of 7.25% convertible debentures, as of July 29, 2013 upon payment of a redemption amount of $1,000 for each $1,000 principal amount of Debentures plus accrued and unpaid interest thereon to but excluding the redemption date;
  (ii) Canadian $69.7 million in existing term debt;
  (iii) USD $126.0 million in existing term debt; and
  (iv) the existing asset based revolving credit facility.

October 2015

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

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

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

(i) CAD $75 million increase in its' Term Loan B facility
(ii) CAD $25 million increase in its' Revolving Loan Facility
(iii) CAD $51 million borrowing on its' existing Revolving Loan Facility and cash on hand

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

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

The greater of:

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

Commencement of Dividend

On November 1, 2013, Clearwater announced the initiation of an quarterly dividend of $0.025 per share. The first quarterly payment was made on December 13, 2013 to shareholders of record as of November 29, 2013. On October 31, 2014, Clearwater announced a 20% increase in the dividend to $0.03 per share, on February 25, 2015 it accounted a 33% increase to $0.04 per share and on November 13, 2015 it announced a 25% increase to $0.05 per share. *Refer to "Dividends and Distributions".*

Changes in Management and the Board of Directors

In May 2015 Jane Craighead was appointed to CSI's board of directors to fill an open position on the Board following the retirement of Tom Traves.

In the past four years Clearwater engaged additional members to executive management including Greg Morency, President, Global Markets, Ron van der Giesen, President, Global Supply Chain, Christine Penny, Vice President Sustainability and Public Affairs, David Kavanagh, Vice President and General Counsel, Dieter Gautschi, Vice President Human Reources, and Kirk Rothenberger, Chief Information Officer

Equity Issuances

On February 4, 2014, Clearwater completed the issuance to the public, on a bought deal basis, of 4,029,400 common shares from the treasury of the Company. The shares were offered at a price of $8.50 per Share, for gross proceeds to Clearwater of approximately $34 million.

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

BUSINESS OF CLEARWATER

Clearwater carries on the business of, and the ownership, operation and lease of assets and property in connection with, the harvesting, processing, distribution and marketing of seafood. Clearwater is recognized for its consistent quality, wide diversity and reliable delivery of premium seafood including scallops, lobster, clams, coldwater shrimp, crab and groundfish. With the addition of Macduff Shellfish Group Limited (“Macduff”) on October 30, 2015, Clearwater has expanded its product offering to include langoustines and whelk.

Clearwater harvested, processed and sold approximately 79 million pounds of seafood in 2015. Its operations consist primarily of:

- harvesting premium shellfish in the fisheries off the coasts of Atlantic Canada and Argentina and the United Kingdom;
- processing shellfish on board state-of-the-art factory vessels or in modern shore-based processing plants in Atlantic Canada and the United Kingdom; and
- marketing and distributing premium shellfish to customers in North America, Europe and Asia.

Clearwater's business was established in 1976. Since then, it has developed new fisheries, acquired other seafood enterprises and formed strategic alliances to build a profitable international seafood enterprise. Today, Clearwater’s unparalleled access to a diverse variety of premium shellfish provides it with a secure and stable source of revenues. In addition, Clearwater’s investments in its operations and focus on innovation have allowed it to develop an efficient infrastructure.

Clearwater currently has operations in Canada, the United Kingdom, the United States, Europe, Asia and Argentina, employing approximately 1,941 people worldwide as of December 31, 2015. It currently operates nine factory vessels ranging in size up to 240 feet plus 14 other non-factory vessels . Clearwater’s factory vessels are able to harvest, process and freeze product while at sea, which results in higher quality and, as a result, higher prices for its seafood compared to seafood that is processed and frozen on land. Clearwater also operates eight modern shore-based processing plants and two distribution facilities, allowing Clearwater to effectively service its international customer base in North America which represented 27.9% of sales in 2015 (33% in 2014), Europe 36.4% of sales (33.6% of sales in 2014) and Asia 35.6% (32.9% of sales in 2014).

Clearwater’s Mission, Value Proposition and Strategies

Mission

Clearwater’s mission is to build the world’s most extraordinary, wild seafood company, dedicated to sustainable seafood excellence.

We define:

- “extraordinary” as sustainable, profitable growth in revenue, margins, adjusted EBITDA, free cash flows and the creation of long term shareholder value;
- “wild seafood” as premium wild shellfish. Including our core species – (scallops, lobster, clams and coldwater shrimp); and

- "sustainable seafood excellence" as delivering best-in-class, quality, food safety, traceability and certified sustainability.

We believe that the fulfillment of this mission will result in extraordinary value creation for shareholders, customers, employees and for the communities in which we work and live.

In 2015, Clearwater reported record annual sales and adjusted EBITDA, marking its sixth consecutive year of reported growth, resulting in not only achieving but surpassing its five year financial performance goal of $500 million in sales, and $100 million in adjusted EBITDA, one year ahead of the original plan.

Over the last three years, Clearwater has made significant progress in all aspects of its mission. Revenues have increased $154.6 million, or 44% since 2013. Adjusted EBITDA has grown at a 38.7% cumulative annual average growth rate over the last three years. The increase over the last three years, in both sales and adjusted EBITDA resulted from strong sales prices in home currencies for the majority of species, positive impact from higher average foreign exchange rates and the acquisition of Macduff on October 30, 2015.

Leverage has increased to 4.4x adjusted EBITDA at December 31, 2015 versus 3.3.6x at December 31, 2014 primarily due to the investment in Macduff Shellfish, higher capital expenditures (net of designated borrowings) as well as the impact of a higher US dollar exchange rate on USD denominated debt as the US dollar strengthened against the Canadian dollar in 2015. This is a significant improvement from the approximately 5.3x leverage at the closing of Macduff Shellfish acquisition on October 30, 2015 and we remain on target to further reduce leverage below 4.0x by year-end 2016

Value Proposition

At Clearwater, we have a passion for wild seafood and strive to deliver a highly differentiated and competitively advantaged value proposition to a global customer base. Key elements of Clearwater's unique value proposition are:

- Great tasting, nutritious, highest quality, frozen-at-sea, premium shellfish.

- Expertise in premium shellfish science, harvesting, processing and logistics technology to ensure quality and safety from "ocean to plate".

- Marine Stewardship Council ("MSC") certification for sustainability of species to ensure both the traceability and long-term health of our wild resource.

- Competitively advantaged global customer service with local market understanding and insight.

- Scale in license and quota ownership guaranteeing exclusive and stable supply to service even the largest global retail and food service customers.

Strategies

Clearwater's six core strategies are designed to strengthen a competitive and differentiated value proposition. They are:

Expanding Access to Supply - We will continue to actively invest in access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through 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 of premium, wild caught, safe, traceable and complementary shellfish species include King and Queen scallops, langoustines, brown crab and whelk.

In late 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. We expect the new clam vessel could contribute up to a 50% increase in total clam volume of all species in 2016 versus prior year.

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.

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

Innovate and Position Products to Deliver Superior Customer Satisfaction and Value – We continue to work with customers on new 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 also expands the product range Clearwater can make available to its large and growing customer base –especially in Asia and the Americas. Macduff's four major species – including King and Queen Scallops as well as Whelk and Brown Crab will benefit from expanded market and customer service/access as well as the sales and marketing strength of the Clearwater brand and organization.

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

Northern Propeller Clam, a species with historically limited market appeal has been transformed through NPD into a significant source of incremental revenue and profit in both the Japanese and North American Sushi markets.

Increase Margins by Improving Price Realization and Cost Management - In 2015 we began to implement our “ocean to shelf” global supply chain. We will continue this work in 2016 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.

The Macduff investment expands Clearwater’s North Atlantic harvesting operations and provides integrated UK-based primary and secondary processing capabilities and expertise with land-based processing facilities in Scotland. Investments in automated shucking continue to generate significant cost savings and productivity gains in our Canadian Sea Scallop business. 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.

Macduff is one of the largest vertically integrated shellfish harvesters in the UK and creates a new growth platform for Clearwater to complement our robust organic growth plans. Management is already evaluating multiple opportunities to fuel additional growth which will provide opportunities to invest in, develop and engage our entire workforce in Canada and abroad.

Products

Clearwater harvests and/or procures twelve premium shellfish species (including: four species of scallops, lobster, clams, coldwater shrimp, langostines, whelk and three species of crab) and groundfish. It is the largest holder of quotas (or rights with respect thereto) in Canada for each of these shellfish species, except crab. The harvesting and processing systems are unique to each product and are the responsibility of distinct business units.Clearwater works closely with the Federal Department of Fisheries (“DFO”) and conducts ongoing sampling and monitoring programs, which provide it with the information necessary to make informed resource management decisions. It also works with the responsible agencies in Europe and Argentina on resource management processes.

Scallops

In 2015, Clearwater had scallop sales of approximately $145.4 million (2014 - $163.7 million).

Canada

Clearwater holds quotas, directly and indirectly, for 49% of the total allowable catch in the Atlantic Canada offshore sea scallop fishery.

Many species of scallops are caught around the world. Those caught off the east coasts of Canada and the United States, Placopectan magellanicus, are the largest single source of their particular size range, which is larger and premium priced compared to smaller, competing species.

The harvesting part of Clearwater's sea scallop business is operated from the South Shore of Nova Scotia. Clearwater has two active factory freezer scallop vessels with an approximate aggregate cost of $23 million. These two vessels contain facilities on board that permit the sea scallops to be harvested, processed and frozen while at sea. The vessels provide incremental contributions by enabling Clearwater to produce a higher quality frozen-at-sea scallop that sells for a premium in the market. In addition, the vessels have enabled Clearwater to increase the efficiency of its harvesting operations by reducing the number of vessels employed, thus lowering costs.

Sea scallops are processed and packaged at Clearwater's modern facility located in Lockeport, Nova Scotia. Major investments in the latest processing technologies at this facility have reduced production costs over the past number of years and virtually eliminated "broken" sea scallops during the production process, thereby increasing yields over the same period. Sophisticated, automated grading machines also enable Clearwater to offer customers more consistent and precise size grading.

The market for Canadian sea scallops has been diversified into Europe, which represented 50% of sales in 2015, from a primarily North American market, which now represented 41% of sales in 2015.

Innovations in the Canadian scallop industry introduced by Clearwater include automatic shucking as well as bottom imaging technology and vessel tracking systems which have provided the industry and the DFO with the ability to better understand the resource and have permitted Clearwater to harvest its quota more efficiently. An example is the ability to identify particular beds of sea scallops and to target its harvesting operations more specifically. Clearwater is combining this technology with other resource information to identify areas where the sea scallops are not at full maturity so as to allow operators to defer harvesting in those areas until maturity is reached.

Argentina

Participation in the Argentine scallop fishery is limited to four licenses that are held by two companies. Clearwater, through its 80% owned subsidiary, owns two of the four outstanding licenses and operates two vessels that remain at sea for several weeks at a time.

Argentina annually establishes a TAC on a geographic basis. The Argentine authorities have demonstrated a keen interest in prudent, scientifically-guided management principles and have introduced a regulatory regime designed to ensure the fishing effort is closely matched with sustainable catch levels. Clearwater is actively engaged in research activity with INIDEP, the Argentine scientific authority, in carrying out research designed to determine biomass, growth rates and other resource parameters.

Argentine scallops, z*ygochlamys patagonica*, are recognized for their high quality and sweet taste in European and North American markets. They are processed mechanically and frozen on board factory harvesting vessels so as to preserve their quality and freshness. Argentine scallops are removed from the shell using sophisticated on-board processing techniques developed by Glaciar. Argentine scallops are graded, frozen and packaged on board the vessels. On landing in Argentina, the frozen product is loaded into containers ready for export either directly to the European market, which applies to the majority of the Argentine scallops, or, to Clearwater's plant in Lockeport, Nova Scotia where the product is repackaged for sale in North America. After landing, the vessels are re-fuelled, the crew is changed and the vessel is typically back at sea within 36 hours.

These small size scallops have found a ready market in the recipe dish processing sector and a robust market has been developed. The primary market for Clearwater's Argentine scallops is France which represented 72% of sales in 2015, and other European countries, with 10% of 2015 sales. However, Clearwater has also developed a market in North America which represented 17% of sales in 2015. Management believes there is a growing interest in the value-added segment as the food industry commits to finding new ways to make seafood more convenient for the consumer. This trend should support growing demand for the quality product produced by Clearwater's frozen-at-sea processing methods.

The Argentine scallop fishery was the first scallop fishery in the world to be Marine Stewardship Council (MSC) certified. The MSC certification comes with the privilege to display the blue eco-label on scallop products from this fishery. MSC certified products have growing demand in North America and European markets as a result of the increased interest in products from well-managed and sustainable fishery efforts. The logo is evidence that the fishery meets the strict environmental standards set by the MSC and the product originates from a sustainable and well-managed fishing resource.

United Kingdom

Participation in the UK scallop fishery is limited to licenses that hold a scallop entitlement. Clearwater owns licences and operates 11 King scallop vessels ranging from 14m to 40m. The company lands approximately 15% of the UK landings, which is expected to grow in 2016 with the recent addition of scallop permits

The UK government manages the Western Waters effort regime, which establishes the effort allocation for scallop vessels and applies to all UK waters except the North Sea. Scallop fisheries in the UK are managed under a combination of effort days, gear regulation and minimum landing size which may vary by area.

Total landings of scallop in the UK amounted to 2,060 mt in 2015. King Scallops are either frozen whole at sea or landed fresh in shell and processed in modern factories onshore in order to service the shell-on and roe on markets. Scallops are processed, graded, frozen and packaged at Clearwater's plants in Mintlaw and Stornoway.

The market for King Scallops is primarily Europe, which represented 100% of sales in 2015.

Clearwater also harvests a second scallop species in the UK and represents approximately 7% of the total UK Queen scallop *Aequipectin opercularis* landings. Clearwater owns and operates two vessels in the Queen scallop fishery. Queen scallops are processed and packaged at Clearwater's modern facilities in Mintlaw and Stornoway.

Lobster

There are only eight Canadian offshore lobster fishing licenses, which in total have a quota of 1.6 million pounds, all of which are held by Clearwater. In addition, in 2015, Clearwater purchased approximately 7.0 million pounds of lobster from independent inshore harvesters. Clearwater's inshore purchases represented approximately 3.42% of the total Canadian inshore catch. In 2015, Clearwater had lobster sales, including its live lobster and raw lobster product, of $92.6 million (2014 - $78.2 million).

The term "lobster" is used liberally to describe many varieties of the shellfish, some with two claws, and some with none. Homarus americanus, one of the two clawed varieties, with average individual animals weighing in excess of one pound are found only on the Northeast coasts of the United States and of Eastern Canada. According to the most recent available information, in 2015 catch volumes in Canada were approximately 92,000 metric tonnes and they were approximately 68,000 metric tonnes in the Northeast United States.

Clearwater uses a non-invasive scanning device derived from a medical diagnostics technology when purchasing and grading incoming lobster shipments and identifying the highest quality lobsters from each shipment. The device, which was more than 15 years in the making, can determine meat content in each of the lobsters purchased and harvested each year. The measurements can be made on more than 100 individual lobsters every minute and determines lobster quality and health. To the consumer this translates into a superior eating experience with fully meated lobsters 100% of the time.

Clearwater operates one long-term storage facility, or dryland pound. This innovative facility allows Clearwater to store up to 2.1 million pounds of lobsters in a live and healthy condition for periods up to six months. Long-term storage techniques are important as the fishery only produces an excellent quality product during the late fall and early spring. This facility gathers lobster from Clearwater's own fleet of lobster vessels and the network of inshore fishermen from whom Clearwater purchases product. On arrival at the facility, lobsters are graded for their biological ability to withstand extended storage and are sized, sorted, stored and inventoried accordingly. This unique facility permits Clearwater to provide its customers with a consistent quality product year round and have allowed it to be a pioneer in the development of new markets for Canadian lobster around the world. From the facility, lobsters are sent to packing and distribution facilities.

Virtually all of Clearwater's live lobster is shipped live to its customers by air or other overnight carriers. Clearwater's major lobster customers represent large distributors, grocery and restaurant chains and seafood specialty outlets in North America, Europe and Asia. The proximity of the facilities to the Louisville and Halifax airports provides Clearwater with the ability to ensure maximum quality to its international customers.

In the offshore lobster industry, important stock indices such as catch per trap haul, male/female ratios and size distribution indicate a stable, well managed fishery. Like the offshore sea scallop fishery, ocean floor mapping contributes to an understanding of the lobster resource and its habitat. This knowledge is reducing operating costs through increased harvesting efficiency. In 2008 and 2009 Clearwater invested $7.5 million in the conversion of a vessel for the lobster fleet. The new vessel is a larger, safer, more stable platform and is capable of fishing safely in all types of weather. This conversion included the addition of an on-board temperature controlled storage facility; a conveyor and weighing/grading system similar to Clearwater's shore plants that minimizes handling in all areas of the operation; a semi-automatic trap handling system and a more automated unloading system to ensure fast discharge and proper handling which minimizes damage and stress. This vessel improved operating efficiency and reliability of fishing efforts, significantly lowered fuel consumption and permitted greater stability in crewing. Theses operating efficiencies have enabled Clearwater to reduce its lobster fleet from four to one vessel over a period of 2 years.

Since 2005, Clearwater has been producing and selling a premium quality raw lobster product from its plant in Lockeport, Nova Scotia. This raw lobster meat product complements Clearwater's quality live lobster offering and leverages its international reputation for lobster with a value-added lobster products.

Clams

There are three offshore Arctic surf clam *mactromeris polynyma,* fishing licenses, issued in the Canadian fishery, all of which are held by Clearwater, thereby providing Clearwater with a quota equal to 100% of the TAC. Clearwater's licenses also permit it to land northern propeller clams and cockle clams taken as a by-catch during the harvesting operations for Arctic surf clams. Clearwater was a pioneer in the development of this fishery, which began in 1986. In 2015, Clearwater had clam sales of $84.4 million (2014 - $72.8 million).

Clearwater's on-shore facilities include a plant in Grand Bank, Newfoundland and Labrador that is the primary facility for the grading and packaging of whole clams. Clearwater contracts the production of other products to processors in China and the United States.

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

Clearwater currently operates this fishery with three offshore harvesting/processing vessels. Arctic surf clams are harvested through a dredging process and once on-board, the surf clams are immediately removed from the shell, blanched and frozen. The product from these vessels is landed and transferred to Clearwater's shore-based facilities in Grand Bank, Newfoundland and Labrador where the product may be custom cut, graded and repackaged. Much of the equipment in use in this plant has been designed by Clearwater specifically to promote the efficient handling and processing of Arctic surf clams. This clam species is distinct from its American counterpart in that it turns a bright red when cooked. The cosmetic value of this colour change and its superior taste and quality makes the product ideal for the Japanese, Chinese and American markets. These markets value the frozen product, primarily used for sushi, at significantly higher prices than the value attributed to clams packaged in cans.

As Clearwater was the pioneer of this fishery and now is the controlling license holder, the database of scientific information regarding this resource is a collaborative responsibility with DFO. These clams are a slow growth species, taking 10 to 12 years to reach commercial size. Sustainable management practices are therefore crucial to a stable fishery. Clearwater regularly conducts research cruises over the two fishing banks, in part, to assess biomass.

Coldwater Shrimp

Clearwater holds and has rights to, through its 53.66% ownership in a joint venture, 21.95% of the TAC in the offshore coldwater shrimp *pandalus borealis,* fishery in Atlantic Canada. As a result of the expiry of a harvesting contract in 2015/2016 this is expected to decline to 19.73% in 2015/2016. Management is actively pursuing harvesting agreements to make use of harvesting capacity that will become available at that time. This combined with purchases of inshore shrimp, resulted in sales of $109.9 million in 2015

(2014 - $93.7 million). Clearwater has been harvesting coldwater shrimp with two factory freezer trawlers, the Ocean Prawns and the Atlantic Enterprise, which are owned by the above mentioned joint venture.

Effective April 1, 2008, Clearwater renewed and expanded its joint venture agreement for its shrimp harvesting operations. The key terms of this agreement included an extension of the joint venture for a further 10 years, the contribution by the other partner of the factory vessel Ocean Prawns and the contribution by both partners of rights to fish shrimp and turbot fishing quotas. Each partner's ownership percentage in the joint venture was adjusted to reflect the contribution of the vessel and use of quotas such that Clearwater's share of the joint venture earnings increased from 50% to 53.66% from April 1, 2008 onwards. This joint venture has enabled Clearwater and its partner to combine shrimp harvesting assets and related shrimp and turbot quotas into a larger operating entity that has created efficiencies and improved profits for the business with significantly less capital employed.

In the past, the coldwater shrimp harvested in this Canadian offshore coldwater shrimp fishery was mostly sold into the Japanese market in raw format and into the European market as a cooked product, both of which are produced at sea on board the vessels that harvest the coldwater shrimp. However, in the last number of years, markets in China have opened and now represent a significant portion of the sales of this product.

In addition to its offshore coldwater shrimp harvesting business, Clearwater is a 75% partner in a coldwater shrimp processing plant in St. Anthony, Newfoundland and Labrador. This plant commenced operations in 1999 and produces cooked and peeled coldwater shrimp and snow crab and has a capacity to process 22 million pounds of coldwater shrimp annually. Leading retailers in the United Kingdom and North America, as well as the Danish brining industry have approved the facility. The United Kingdom and Denmark represent a significant percentage of the market for cooked and peeled coldwater shrimp.

Turbot and Snow Crab

Clearwater has licenses to harvest turbot in Atlantic Canada. Turbot is harvested using one of the offshore joint venture vessels during the turbot harvesting season. The vessel lands frozen ready-for-market products. In 2015, sales were $15.9 million (2014 - $13.9 million).

Clearwater's snow crab processing facilities are located in Glace Bay, Nova Scotia and St. Anthony, Newfoundland and Labrador. These plants operate on a seasonal basis when producing snow crab. In 2015 snow crab sales totaled $21.8 million (2014 - $21.0 million).

Turbot is primarily sold within Asia, whereas the majority of snow crab is sold within Canada, the United States and China.

Langostines

Clearwater purchases langostines (*nephrops norvegicus*), also known as langostines Norway lobster or nephropsfrom independent UK fishermen The Norway lobster fishery is managed through a TAC set under the Common Fisheries Policy following scientific advice from ICES. The product is landed fresh and processed in Clearwater's modern factories in Mintlaw and Stornoway. In 2015 Langostines sales totaled $7.8 million.

Whelk and Crab

In the UK Whelk and Crab are landed by independent fishermen. These products are processed in Clearwater's modern processing facility in Mintlaw. In 2015 Whelk and Crab sales totaled $5.2 million.

Facilities and Capital Expenditures

Clearwater directly and through its subsidiaries currently operates nine factory vessels, 14 non-factory vessels and eight shore-based processing plants.

Clearwater maintains the largest, most modern fleet of factory freezer vessels in Canada together with vessels that are used to harvest Clearwater's offshore lobster and to complete research and development. The Company also operates a fleet of 13 scallop trawlers in the UK.

Clearwater spent the following on capital expenditures and repairs and maintenance over the last three years:

(In 000's)

For the years ended December 31	2015	2014	2013	Total
Vessels	$ 49,748	$ 72,700	$ 17,025	$ 139,473
Plants and other	13,642	10,609	6,788	31,039
	$ 63,390	$ 83,309	$ 23,813	$ 170,512
Return on investments capital	$ 50,370	$ 60,417	$ 6,346	$ 117,133
Maintenance capital	13,020	22,892	17,467	53,3879
	$ 63,390	$ 83,309	$ 23,813	$ 170,512
Maintenance capital	$ 13,019	$ 22,892	$ 17,469	$ 53,380
Repairs and maintenance	19,714	14,149	13,144	47,007
	$ 32,733	$ 37,041	$ 30,613	$ 100,387
Depreciation/Amortization	$ 29,732	$ 23,753	$ 24,167	$ 77,652
Maintenance spending as a % of depreciation	110.1%	155.9%	126.8%	129.3%

In 2015 Clearwater invested $63.4 million in capital expenditures, excluding the investment in Macduff. Of these amounts, $26 million relating to the construction of the new clam vessel, $7 million for the purchase and conversion of a research vessel, $18 million related to maintenance capital investments and $12 million to improve operational efficiencies in our plants and information systems.

In 2014 Clearwater had a record investment in capital expenditures of $83.3 million. Capital expenditures included $36.4 million related to the construction of the new clam harvesting vessel which will have a total cost of approximately $60 million and is expected to be operating late in 2015.

This investment in a new clam harvesting vessel will drive growth in Clearwater's clam business by expanding access to clam supply by approximately 60% when the customer distribution chain is fully in place by 2017.

In 2014 Clearwater invested $16.7 million to complete the conversion of an Argentine scallop vessel which will begin harvesting early in the first quarter of 2015. Additional investments in 2014 included

$7.3 million for an enterprise resource planning system (“ERP”) , $18.2 million on refits including $12.5 million for a life extending refit of a shrimp vessel and $4.7 million on other planned maintenance.

In 2013, Clearwater completed refits on its vessels of approximately $9.3 million. Additional vessel conversion costs included $2.7 million on a new clam vessel and $5.0 million related to a scallop vessel.

In addition to the annual amounts capitalized above, Clearwater historically has spent and expensed on average about $15.7 million a year over the past three years on the maintenance of its fleet and processing plants. This reflects Clearwater’s commitment to ensuring that the assets are kept in top condition, enabling it to harvest and process its allowable catch efficiently and providing sufficient capacity.

Clearwater’s largest fleet investments are in its nine factory vessels located within Canada and Argentina. These vessels are used in the harvesting of Canadian scallops, Argentine scallops, shrimp and clams.

Of the nine factory vessels:

- Two are used to harvest shrimp and are on average 22 years old. These vessels have a capacity to harvest 14,000 to 18,000 metric tons of our 20,000 metric ton quota and our entire 1,900 metric ton turbot quota in a ready for market form. One of the vessels was built in 1985 and in 2014 Clearwater invested $12.5 million in a late-life refit, thereby extending its useful life.

- Four are used to harvest sea and bay scallops with the sea scallop vessels being on average 18 years old and the bay scallop vessels being on average 20 years old. In 2014, one of the idle vessels was converted from harvesting sea scallops to harvesting bay scallops and began operations in early 2015.

- Three of Clearwater’s vessels are used to harvest clams and are on average 18 years old. These vessels are harvesting at capacity. In 2015, Clearwater completed construction of a new clam harvesting vessel which was operational in the third quarter of 2015 with product reaching the market in the fourth quarter of 2015.

With the acquisition of Macduff, Clearwater’s fleet now includes 13 mid-shore scallop harvesting vessels within the UK with average useful lives between 5-15 years.

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

Harvesting

The following table sets forth the vessels utilized in Clearwater's operations, which include 9 factory vessels used in its sea scallop, Argentine scallop, clam and coldwater shrimp fisheries, 1 vessel used in its offshore lobster fishery and 13 vessels used in the scallop fishery in the United Kingdom . This excludes a non-factory vessel used in the offshore lobster industry.

Vessel	Principal Products
Atlantic Protector, Atlantic Preserver	sea scallops
Capesante[(2)], Atlantic Surf III[(2)]	Argentine scallops
Ocean Concord, Arctic Endurance, Belle Carnell	Clams
Atlantic Enterprise [(3)] , Ocean Prawns[(3)]	coldwater shrimp
Fundy Leader	NA, research vessel
Albion , Sylvia Bowers, Isla S, Honeybourne, Clasina, Vertrouwen, Charity & Liberty, Lass O Doune, Glen Deveron, Lady of Ladram, Flowing Stream, Cornelis, Jacoba	King and Queen scallops

Notes:

(1) This list excludes three non-factory vessels owned by a joint venture in which Clearwater has a 50% interest. This joint venture is in the process of replacing these three vessels with a factory vessel which it expects to operate later in 2016.

(2) Owned by a subsidiary in which Clearwater has an 80% interest.

(3) Owned by a joint venture partnership in which Clearwater has a 53.66% interest.

Processing

The following table sets forth the location and principal products of Clearwater's processing operations:

Location	Principal Products
Arichat, Nova Scotia(1)	lobster
Glace Bay, Nova Scotia(1)	snow crab
Grand Bank, Newfoundland and Labrador	clams
Lockeport, Nova Scotia	sea scallop, processed lobster
St. Anthony, Newfoundland and Labrador(2)	coldwater shrimp, crab
Ushuaia, Argentina	scallops
Mintlaw, Scotland	scallops, crab, langoustines and whelk
Stornoway, Scotland	langoustine

Notes:

(1) These facilities operate on a seasonal basis.

(2) The plant at St. Anthony, Newfoundland and Labrador is operated by a partnership, which is 75% owned by Clearwater.

Clearwater also owns its head office building located at 757 Bedford Highway, Bedford, Nova Scotia.

Sales, Marketing and Distribution Systems

Clearwater's strategy has always been to sell its products to a broad range of customers, customer types and geographic markets. This strategy has been complemented by a clear objective to deal as far into the distribution chain as possible and to avoid dependence on any one or group of customers. Clearwater relies on its own sales force dedicated to selling only its products. This has required the creation and maintenance of an internal sales and service support function and the operation of sales offices in all its important markets. These offices are staffed by a multilingual sales group able to do business in the language of the customer. Clearwater has focused its business on developing long-term partnerships with its customers rather than transactional relationships. The food industry has been characterized by significant consolidation at all levels, in retail and food service distribution, in the growth of corporate and theme restaurant chains and in the institutional catering business. This consolidating customer base is demanding a reduction in the number of suppliers with whom it does business and is focused on those relationships, which provide stability, breadth and depth of product offerings in their respective categories. More and more it is becoming important to demonstrate leadership and investment in a respective field in order to build and maintain profitable and growing relationships with the preferred customer base.

It is these drivers which have led Clearwater to focus on ensuring that it has the capability to offer year-round supply in an industry characterized by seasonal features, the ability to offer stable pricing in an industry prone to price cycles and a commitment to consistency of quality in an industry where fragmentation often leads to the anonymity of supply sources and irregular quality and product specifications.

Examples of Clearwater's leading role in developing new customer relationships include:

- the first Canadian seafood company to guarantee year-round delivery of quality live lobster to the European and Asian markets;
- the first Canadian seafood company to open a sales office in China, where it now has four;
- the first Canadian seafood company to open and operate an overnight live and perishable distribution facility;
- the first Canadian seafood company to offer customer education programs; and
- the first company in the world to obtain Marine Stewardship Council (MSC) certification for a scallop fishery (for the Argentine scallop fishery). Clearwater has since obtained MSC certification for its Canadian scallop fishery, Arctic surf clam fishery, Nova Scotia snow crab fishery, offshore Canadian lobster and shrimp.

Clearwater operates its own freight-forwarding department with in-house logistics expertise in both air and ocean freight distribution and is among the largest users of refrigerated containers in Atlantic Canada. Clearwater believes that this in-house logistics capability (which removes the need to deal with transportation brokers, like many of its competitors) provides the high level of service demanded by its sophisticated customers.

Customers

Clearwater's customer base is diversified, both in terms of geographic markets and types of customer. Clearwater sells premium seafood products to retail chains, food distributors and corporate restaurants. No one customer of Clearwater represents in excess of 7% of its revenues. Clearwater also sells its products to a broad geographic market, including North America, Europe, China, Japan and other parts of Asia. This diversification mitigates the effects on Clearwater of adverse market conditions or low prices in any particular segment of the seafood industry at a given time, thereby stabilizing Clearwater's revenues.

Research and Development

Clearwater's commitment to continuously introducing technological improvements has permitted it to improve product quality, reduce costs and enhance stewardship of the seafood resources that it harvests. These initiatives have secured Clearwater's reputation as a market leader and innovator. Clearwater shares its research and development with the DFO, National Institute of Fisheries Research and Development ("INIDEP") in Argentina and other industry participants in order to assist in building sustainable resource management regimes.

Clearwater's innovations in technology have allowed it to develop major new businesses around several previously unexploited species, such as Arctic surf clams and Argentine scallops, and Clearwater's history of developing new fisheries is continuing.

Clearwater took the lead in bringing other offshore sea scallop companies together with the Canadian Hydrographic Service in a partnership that has produced accurate, three-dimensional maps of much of Canada's offshore sea scallop grounds. By integrating sophisticated multibeam sonar and data processing technology pioneered in Atlantic Canada, Clearwater's fishing captains now use electronic charts detailing seabed habitat, topography and sediment type. "Seeing" the ocean floor and mapping the specific habitat preferred by sea scallops, enables Clearwater's captains to be more efficient in catching its quota. The quality of the DFO's scientific advice on sustainable catch levels is also being significantly enhanced through the use of ocean floor maps during research surveys of the resource. Clearwater's management believes that the introduction of this new technology will also result in a higher average total allowable catch in the future.

Clearwater's technology has also provided it with the ability to deliver a better quality product in a more timely way to its customers around the world. As an example, Clearwater has been a leader in research and development of measures and systems to manage and reduce one of the single largest expenses in the lobster industry, mortality before delivery. Clearwater has developed and is the only company in Atlantic Canada to use an on-land "dryland pound" system to store lobster. The dryland pound keeps the lobster in premium condition for as long as six months, by simulating the lobster's natural wintering hibernation state, resulting in significantly lower mortality rates than traditional holding systems such as holding tanks, tidal pounds, or crates. Clearwater's lobster biologists also add value throughout the supply chain and have designed a unique "Lobster University" program to educate staff, fishermen, shippers and customers on proper handling, husbandry and storage techniques for lobster.

Clearwater is committed to developing improvements to enhance the sustainability of seafood resources, the quality of our products and the efficiency of our processes.

Competitive Conditions

All segments of the food supply industry are highly competitive. The primary seafood industry is highly fragmented representing minor share positions typically targeting price-conscious consumers. Although Clearwater has a number of competitors in each of its product categories, few of Clearwater's direct competitors offer the diversity of high quality seafood offered by Clearwater. Clearwater's diversity of its product mix mitigates the effects of fluctuations in the prices for any particular product at a given time, thereby stabilizing Clearwater's revenues in its customer's currencies.

Human Resources

Clearwater employed approximately 1,941 individuals as of December 31, 2015. The number of employees fluctuates throughout the year based on raw material availability and other seasonal factors.

Clearwater has five collective agreements covering approximately 360 employees. The plant workers in Glace Bay, Nova Scotia are represented by the Canadian Auto Workers Union. The three year collective agreement with this plant expires on October 31, 2016. The plant workers in the two Newfoundland and Labrador plants are represented by the Fish, Food and Allied Workers Union. The three year agreement for the plant in Grand Bank, Newfoundland and Labrador expires on July 31, 2016. The three year agreement with plant workers in St. Anthony, Newfoundland and Labrador expires on December 31, 2018. Clearwater has five year collective agreements with the crew of its Canadian factory sea scallop vessels which expire on May 31, 2018, and the Canadian lobster vessel crew which expires on December 31, 2016. Crew for both sea scallop and lobster fleets are represented by the United Food and Commercial Workers (UFCW).

INDUSTRY

Consumption of Seafood

Over the past several years there has been an increase in global demand for premium shellfish and per capita consumption due to general population growth, the shift to healthier eating choices among aging boomers and rising incomes and purchasing power of middle class consumers in emerging economies – especially in Asia.

Purchasers of seafood (such as retailers, food distributors and corporate restaurants) will pay a premium to a supplier of seafood who can provide consistent quality, wide diversity and reliable delivery, together with value-added education and marketing of "easy to prepare" seafood. In fact, growth in the consumption rates of seafood is, in part, attributable to the recent commitment in the retail food industry to offer seafood in a more convenient form. Clearwater is well positioned to take advantage of this opportunity because of its premium quality, wide diversity and year-round delivery capability.

There are no dominant suppliers or purchasers in the seafood industry, but there is a continuing trend of consolidation. Clearwater, which is able to supply a large, diverse range of quality seafood, is well positioned to capitalize on the opportunities resulting from the consolidation of the purchasers of seafood (e.g., retailers, food distributors and corporate restaurants).

Harvesting of Seafood

The Atlantic Canada seafood harvesting industry, where Clearwater primarily operates, is one of the largest sources of premium shellfish in the world. The industry consists of two distinctive segments - the seasonal inshore fishery and the year-round offshore fishery.

The inshore (or smaller vessel) fishery is comprised of thousands of independent fishermen. These fishermen generally operate their own, relatively small fishing boats, harvesting one or two species of seafood in waters that are relatively close to the shore, and sell their harvest to seafood processors based in Atlantic Canada. The inshore fishery segment of the industry is highly fragmented across all species.

The offshore (or larger vessel) fishery, in which Clearwater operates, is comprised of a relatively small number of vertically integrated seafood enterprises. These enterprises generally operate large fishing vessels, harvest a variety of species of seafood in waters that are further from shore, process the seafood onboard the fishing vessels or at shore-based processing plants, and sell the products (directly or through distributors) in the international market. The enterprises also generally purchase product from inshore fishermen for processing and sale. Over the last number of years, there has been significant consolidation in the Atlantic Canadian fishing industry, as enterprises have grown organically and through acquisitions to become more efficient and competitive participants in the global seafood industry. Clearwater has been a leading participant in this consolidation and is now the largest harvester in Canada of sea scallops, lobster, Arctic surf clams and coldwater shrimp.

The Atlantic Canada offshore fishery is regulated by the Government of Canada through the DFO. The regulatory environment in Canada and other mature fisheries, such as those in Norway, Iceland, Argentina and New Zealand, are highly sophisticated, emphasizing sustainability of the resource as the priority. There are three primary aspects to regulation: licensing, total allowable catch and quotas.

Licensing **-** In order to harvest any species of seafood in the Atlantic Canada offshore fishery, an enterprise must be Canadian controlled and hold a license to harvest that species. The DFO strictly controls the number of licensed enterprises in the fishery, rarely granting new licenses unless and until increases in the stock of a particular species evidences significant and sustainable growth.

Total Allowable Catch ("TAC") **-** In order to ensure that the seafood stocks in Atlantic Canada are not over harvested, the DFO (in consultation with industry working groups) establishes on an annual basis the total allowable catch (by ocean region) of each species of seafood. This amount represents the maximum amount of the species that can be harvested by all enterprises participating in the fishery for that species. As described in greater detail below, shellfish resources have generally been increasing and, therefore, total allowable catches have generally been increasing over time.

Quotas and Enterprise Allocations **-** In order to increase the efficiency of the offshore fishery and permit industry consolidation, the DFO regulates the harvesting by holders of offshore licences by way of a quota and Enterprise Allocation system. Under this system, each enterprise is permitted to harvest a specified and tradable percentage of the TAC of a particular species in specific offshore areas. As such, the enterprises are not competing with one another in the harvest of seafood and are at liberty to harvest their quotas in a rational and efficient manner. Enterprise Allocations can be transferred, traded and sold, thereby providing an important opportunity for rationalization within the industry.

Supply of Seafood Resources

Canada is considered a global leader in the management of its fisheries. Clearwater has worked with the DFO and other industry players to build sustainable resource management regimes. In many instances, Clearwater has been the primary proponent of the adoption of these practices. Examples of the practices of Clearwater and the DFO to ensure sustainable resources include:

- ongoing joint investment in the DFO scientific research programs to ensure all fisheries are guided by the best possible scientific advice;
- regulated minimum size restriction in the sea scallop, lobster and crab fisheries so as to allow an opportunity for reproduction and growth to optimum size and value;
- closed fishing areas to protect concentrations of juvenile shellfish from premature harvest;
- continued modification and refinement of fishing gear to allow the release of juvenile shellfish and non-target species; and
- extensive research on the impact of harvesting technology on the environment to ensure decisions that support a healthy ecosystem.

As a result of the work done by the industry and the DFO in this area, total allowable catch levels of shellfish resources have been generally stable to increasing in Atlantic Canada.

Regulation

Licenses

In Canada, the harvesting of seafood in the waters off Atlantic Canada is primarily regulated by the DFO through the Fisheries Act (Canada) and the Atlantic Fishery Regulations (1985) made under that act. These regulations provide for the registration of vessels and enterprises and for the issuance of licenses to catch specified species of seafood. The licenses set out conditions for harvesting that may include the species which may be caught, the type and quantity of gear to be used, the waters in which harvesting is permitted, the period during which harvesting is permitted, the vessel which may be used and the persons permitted to operate the vessel. The DFO grants renewable licenses to participants in the various fisheries. In the Canadian offshore fishery, the licenses permit the holder to catch a prescribed percentage of the TAC for the relevant fishing area. See “Industry — Harvesting of Seafood”.

The harvesting of scallops in Argentina is regulated by the National Federal Fishery Law (1998) and Resolution 150/96 of the Secretary of Agriculture, Livestock, Fishery and Food. These laws provide for the registration of vessels and enterprises and for the issuance of licenses to catch specified species of seafood. The licenses set out conditions for harvesting and include the species which may be caught, the type and quantity of gear to be used, the waters in which harvesting is permitted, the period during which harvesting is permitted, the vessel which may be used and the persons permitted to operate the vessel. The effect of these regulations and the related resource management plan is that it promotes the sustainability of the underlying Argentine scallop resource and creates barriers to entry for others who might otherwise seek to participate in this fishery.

Vessels

All vessels operated in connection with Clearwater’s harvesting operations are registered with, and subject to, inspection by Transport Canada or the Argentine Coast Guard.

Processing

All fish processing plants conducting business throughout Canada require a combination of provincial and federal licences to operate. The requirement to obtain and maintain a food processing license principally relates to food safety and labeling. All fish processing plants are required to implement a quality management plan, or QMP, which is approved by the Canadian Food Inspection Agency (CFIA) covering the regulatory and safety aspects of food processing. Clearwater also maintains hazard analysis and critical control point (HACCP) quality management programs which focus on preventing hazards that could cause food-borne illnesses by applying science-based controls, from raw materials to finished products. In addition, Clearwater’s facilities are independently certified by the British Retail Consortium (BRC) for food safety. BRC certification ensures that Clearwater’s production facilities are meeting world-class standards for food safety and quality. See “Risk Factors - The Business and the Industry — Food Processing Risks”.

Environmental, Health and Safety Regulation

The harvesting, processing and transportation of seafood, seafood products and by-products and the operation of vessel discharge and maintenance facilities have been and are subject to extensive and increasingly stringent federal, provincial, municipal and local statutes, regulations and by-laws, permitting and other requirements with respect to workers’ health and safety and environmental matters in Canada.

Environmental legislation, orders, permits, approvals, common law and other requirements impose obligations relating to, among other things: the release of substances into the natural environment; the production, processing, preparation, handling, storage, transportation, disposal, and management of substances (including liquid and solid, non-hazardous wastes and hazardous materials); and the prevention and remediation of environmental impacts such as the contamination of soil and water (including groundwater). See “Risk Factors—The Business and Industry—Environmental, Health and Safety Regulation”.

CAPITAL STRUCTURE

As of December 31, 2015 there were 59,958,998 Common Shares outstanding.

Common Shares

The authorized capital of CSI consists of an unlimited number of Common Shares. Holders of Common Shares are entitled to one (1) vote per share at meetings of shareholders of Clearwater, to receive dividends if, as and when declared by the board of directors of Clearwater and to receive *pro rata* the remaining property and assets of CSI upon its dissolution or winding-up, subject to the rights of shares having priority over Common Shares, if any.

Please see section on licensing in harvesting of seafood on page 23 for information on requirements regarding Canadian control.

DIVIDENDS AND DISTRIBUTIONS

On November 1, 2013 CSI announced the initiation of an annual dividend of $0.10 per share, payable in quarterly installments of $0.025 per share with the first payment made on December 13, 2013 to shareholders of record as of November 29, 2013. On October 31, 2014, Clearwater announced a 20% increase in the dividend to $0.03 per share, on February 25, 2015 it accounted a 33% increase to $0.04 per share and on November 13, 2015 it announced a 25% increase to $0.05 per share.

Central to the Board of Directors' decision to announce a dividend was their confidence in the future and their belief that it could be set at a level that is not only sustainable but that provides some opportunity for growth. In making the determination of dividend levels, the Board gave consideration to a number of key principles including the expected future earnings and the amount of free cash flows that should be retained to reinvest in the business, the assurance that all obligations can be met with respect to existing loan agreements and the desire to provide room for the dividend to increase in the future as the business continues to grow and expand. The Board will review these same factors on a periodic basis, and at least annually, when reviewing opportunities to adjust or increase the dividend.

Decisions to pay dividends on the Common Shares will be made by the Board of Directors on the basis of Clearwater’s earnings, financial requirements, restrictions under credit facilities, the requirements of the CBCA for the declaration of dividends and other conditions existing at such time.

RISK FACTORS

Risks Relating to Our Business

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.
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Foreign Exchange Risk:

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

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

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

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

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

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

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

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

In 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 and gross profit.

- a change of 0.01 in the Euro rate as converted to Canadian dollars would result in a $0.8 million change in sales and gross profit.

A change of 0.001 in the Yen rate as converted to Canadian dollars would result in a change of $4.7 million in sales and gross profit.

As of March 22, 2015 Clearwater had forward exchange contracts to be settled in 2016 of:

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

- 3.36 billion Yen at an average rate of .011; and

- 43.4 million Euro at an average rate of 1.45.

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

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

Political Risk:

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

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

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

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

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

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

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

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

Contingent Liability:

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

Resource:

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

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

The source of all Clearwater's supply of products comes from fisheries in Canada and Argentina. The governments of Canada and Argentina set the annual TAC for each species by reviewing scientific studies of the resource and then consulting with key stakeholders including us and our competitors to determine acceptable catch levels. The potentially differing interests of our competitors may result in conflicting 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:

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

Management Information:

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

Capital Availability and Liquidity Risk:

There are risks associated with capital availability and liquidity including:

1. The ability of Clearwater to obtain sufficient financing for working capital, capital expenditures or acquisitions in the future or to repay loans as they become due;

2. Certain borrowings are at variable rates of interest, which exposes Clearwater to the risk of increased interest rates; and

3. Clearwater may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures if it has high leverage, debt coverage and limited liquidity.

Clearwater's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

Clearwater's credit facilities contain restrictive covenants of a customary nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Clearwater to incur additional indebtedness, to pay dividends or make certain payments and to sell or otherwise dispose of assets. In addition, they contain a number of financial covenants that require Clearwater to meet certain financial ratios and financial condition tests. A failure to comply with the covenants could result in an event of default, which, if not cured or waived, could permit acceleration of the relevant indebtedness. If indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Clearwater would be sufficient to repay in full that indebtedness. There can also be no assurance that the credit facilities would be able to be refinanced. As of December 31, 2015 Clearwater is not in violation of the restrictive covenants.

Clearwater mitigates capital availability and liquidity risk through a number of its treasury management policies and goals which promote strong liquidity and continued access to capital to fund its business. These include policies and goals with respect to leverage, foreign exchange, lending arrangements and free cash flows.

Business Interruption Risk:

The fisheries in which we operate can be characterized by extreme sea conditions. Additionally, we purchase seafood from fishermen who harvest from inshore fisheries in Atlantic Canada. Unusual weather conditions in these fisheries could materially and adversely affect the quality and quantity of the products we produce and distribute.

Our vessels are expensive assets that are subject to substantial risks of serious damage or destruction from adverse weather conditions and other natural risks. The sinking or destruction of, or substantial damage to, any of our vessels would entail significant costs to us, including the loss of production while the vessel was being replaced or repaired. Our insurance coverage may prove to be inadequate or may not continue to be available to us and we do not have business interruption insurance on our vessels as it is not generally available in our industry. The sinking or destruction of, or substantial damage to, any of our vessels could have a material adverse effect on our business, financial condition or results of operations.

Clearwater mitigates the risk of business interruption in its fleet through planned maintenance programs, regularly scheduled refits of its vessels, replacement of vessels prior to the end of their useful period in the fishery and through regularly reviewing and updating the insured values of its vessels.

Food Processing Risks:

Clearwater's food processing operations are subject to federal, provincial and local food processing controls, and may be impacted by consumer product liability claims, product tampering, and the possible unavailability and/or expense of liability insurance. A determination by applicable regulatory authorities that any of Clearwater's plants are not in compliance with any such controls in any material respect may allow regulators to shut down plant operations, require a recall on product from the market place and may have a material adverse effect on Clearwater's financial condition and results of operations. In addition, negative publicity, significant decreases in demand, or increased costs associated with any of these circumstances may have a material adverse effect on Clearwater's financial condition and results of operations. Clearwater's operation of its facilities involves some risks, including the failure or substandard performance of equipment, suspension of operations and new governmental statutes, regulations, guidelines and policies. There can be no assurance that as a result of past or future operations, there will be no claims or injury by employees or members of the public.

Food processing and product liability risks are reduced through Clearwater’s satisfaction of all Canadian food inspection agency guidelines and through strict implementation of quality control programs. These include HACCP (“Hazard Analysis Critical Control Point”) programs which cover Clearwater’s sea and land based facilities. Clearwater’s plants have been approved by some of the largest seafood purchasers in the world. In addition, Clearwater’s facilities are independently certified by the British Retail Consortium (BRC) for food safety. BRC certification ensures that Clearwater’s production facilities are meeting world-class standards for food safety and quality. Clearwater also processes a large portion of its products using frozen-at-sea technology, which mitigates food processing and product liability risks because many of these products undergo minimal handling.

Suppliers, Customers and Competition Risks:

Consolidation among food retailers could result in increased pressure on pricing and trade terms for upstream harvesters, wholesales, distributers and food processors. Clearwater's operating costs may be negatively affected by increases in input costs, such as energy, labour raw material and commodity prices.

Clearwater uses fuel, electricity, air and ocean freight and other materials in the production, packaging and distribution of its products. Fuel and freight are two significant components of the costs of Clearwater's products and the distribution thereof. The inability of any of Clearwater's suppliers to satisfy its requirements, or a material increase in the cost of these inputs, may have an adverse effect on Clearwater's financial condition and results of operations.

In addition, Clearwater typically does not have long term formal agreements with its customers. Accordingly, a customer may decide to terminate its relationship with Clearwater or a customer may terminate a supply arrangement on relatively short notice. The loss of major customers may have a material adverse effect on Clearwater's financial condition and results of operations.

The global seafood industry is highly competitive in all of the markets in which Clearwater participates. Some of Clearwater's competitors may have more significant market presence within the marketplace, a greater diversification of product lines and greater economic resources than Clearwater, and are well established as suppliers to the markets that Clearwater serves. Such competitors may be better able to withstand volatility within the seafood industry and throughout the economy as a whole while retaining greater operating and financial flexibility than Clearwater. There can be no assurance that Clearwater will be able to compete successfully against its current or future competitors, or that competition will not affect Clearwater's financial condition and results of operations.

Risk associated with suppliers is mitigated through diversification of suppliers. Risk associated with customers is mitigated through diversification of the customer base. Clearwater has approximately 820 customers worldwide with no individual customer representing more than 6% of sales. Clearwater uses a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate credit risk associated with its customers.

Input Costs:

The volatility of input prices related to harvesting and processing seafood and risks related to our suppliers could adversely affect our operating costs.

We use fuel, electricity, air and ocean freight and other materials in the production, packaging and distribution of our products. Fuel is a significant component of the costs of our products. Clearwater's vessels used approximately 26.6 million litres of fuel in 2015. Based on 2015 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million. Clearwater uses Marine Diesel in its harvesting operations, the price of which does not correlate closely to publically available measures such the price of a barrel of oil. This is due to a number of factors including but not limited to the nature of the fuel used, the geographic locations in which Clearwater purchases fuel and the currency in which Clearwater purchases fuel.

We also purchase significant quantities of lobster, crab and inshore shrimp for processing and resale. Significant increases in fuel prices, freight prices, the prices of inshore lobster, crab or shrimp we purchase, or other input prices, to the extent not offset by increases in the selling prices of our products, would reduce our profitability.

In addition, the inability of any of our suppliers to satisfy our requirements for fuel, electricity, air and ocean freight or other materials, or our requirements for inshore lobster, crab or shrimp, may have an adverse effect on our financial condition and results of operation.

In addition, the following additional risks have been identified by Clearwater:

We rely on licenses, quotas, and other approvals from the governments of Canada. Argentina and the responsible agencies in the UK to to harvest our seafood products, and the revocation or nonrenewal of one or more of our licenses by these governments could have a material adverse effect on our business.

Our business is dependent on permission to harvest seafood in fisheries in Canada, Argentina and the UK. We rely on fishing licenses renewable annually by the DFO and the Marine Management Organization ("MMO") and fishing licenses renewable every two years by the Federal Fisheries Council ("CFP"). The licenses are subject to certain restrictions and conditions, which may include the species which may be caught, the type and quantity of equipment to be used, the waters in which harvesting is permitted, the period during which harvesting is permitted, the vessel which may be used, the registration of vessels and the persons permitted to operate the vessel. We are also allocated quotas of the annual TAC set by the DFO and the Argentine regulators, respectively, for the species of seafood we harvest. It is possible that the DFO or other regulatory agencies could take the position that we have exceeded or otherwise violated our licenses or quotas. If we were found to have violated the applicable restrictions or conditions it could result in revocation of the licenses or quotas or the imposition of significant fines. A decision by either the Canadian, Argentine or UK regulators not to renew a license, to revoke a license or to materially alter either the terms of a license or our allocated quotas or effort days would reduce our ability to harvest the seafood products we sell and would have a material adverse effect on our business.

The sales volume and prices of our products are subject to volatility as a result of global economic conditions.

The sales volume and prices of our products are subject to fluctuations as a result of changes in global demand for such products. For example, the global recession that began in 2008 continued into 2009 and continued to impacted the food industry in the latter half of 2009.

The segments of the seafood industry in which we operate are competitive, and our inability to compete successfully could adversely affect our business, results of operations and financial condition.

The seafood industry is highly competitive in all of the markets in which we operate. Some of our competitors have more significant operations within the marketplace, a greater diversification of product lines and greater economic resources than we do and are well-established as suppliers to the markets we serve. They may be better able to withstand volatility within the seafood industry and throughout the economy as a whole while retaining greater operating and financial flexibility than we do. Other competitors may have more advantageous pricing margins than we do. There can be no assurance that we will be able to compete successfully against our current or future competitors or that competition will not affect our financial condition and results of operations. In addition, production and distribution of substitute products for any of our major species could have a significant adverse impact on our profitability. Increased competition as to any of our products could result in price reduction, reduced margins and loss of market share, which could negatively affect our profitability.

Increased consolidation among our customer base may result in a loss of customers to our competitors.

Our customers, such as grocery retailers, food processors and restaurant chains, have consolidated in recent years, and consolidation is expected to continue in our sales markets. These consolidations have produced large, sophisticated customers with increased buying power who are more capable of operating with reduced inventories, opposing price increases, and demanding lower pricing and increased promotional programs. Further consolidation among our customer base may result in a loss of customers to our competitors, who may have advantageous pre-existing relationships with key consolidators or who may be able to supply similar products on more favorable terms. The loss of significant customers due to such consolidation could have a material adverse effect on our financial condition and results of operation.

Our harvesting operations are subject to seasonal variations that could have a material adverse effect on our business, financial condition or results of operations.

The fisheries in which we operate - the Atlantic Canada offshore fishery, the Argentine scallop fishery and the UK scallop fishery are subject to adverse weather conditions. This seasonality affects our working capital as inventory reaches peak levels in the early summer. If we are not able to adequately finance our working capital requirements, there may be a material adverse effect on our financial condition and results of operations.

A portion of our business is operated by subsidiaries not wholly-owned by us and certain joint ventures, and the actions of our business partners may affect our financial condition or results of operations.

We rely on our business partners in certain subsidiaries and joint ventures material to our operations, including our 80%-owned subsidiary operating the Argentine scallop business, our 75%-owned subsidiary operating a coldwater shrimp processing plant, a company in which we have a 50% interest holding licenses and quotas to harvest Canadian sea scallops and a shrimp harvesting joint venture in which we have a 53.66% voting interest. If one of these investors or partners were to default on its obligations relating to a subsidiary or joint venture or if such an investor or partner were to take steps to delay or prevent the entity from distributing all of its available cash, there may be a material adverse effect on our financial condition and results of operations. The success of these businesses depends to some degree on the efforts of our partners and we have a succession risk in the event the partner is unable or no longer willing to continue to support the business.

Outbreaks of disease can significantly affect production, the supply of raw materials, demand for our products and our business.

Events beyond our control, such as the outbreak of disease, could adversely affect the quality and quantity of our live lobsters reaching our customers and significantly restrict our ability to conduct our operations. Furthermore, an outbreak of disease could result in governmental restrictions on the import and export of our live lobsters or other products to or from our suppliers, facilities or customers. This could result in the cancellation of orders by our customers and create adverse publicity that may have a material adverse effect on our ability to market our products successfully and on our business, reputation and prospects.

If we are unable to retain qualified senior executives, our growth might be hindered, which could impede our ability to run our business and potentially reduce our sales and profitability.

Our success depends in part on our ability to attract, hire, train and retain qualified managerial personnel. We face competition for these types of personnel from other seafood processing companies. We may be unsuccessful in attracting and retaining the required personnel to conduct and expand our operations successfully. Our success also depends in part on the continued service of our senior management team. Key personnel may leave us and compete against us. The loss of members of our senior management team or the inability to recruit qualified personnel could impair our ability to execute our business plan and growth strategy and may have a material adverse effect on our financial condition and results of operations.

Our operations are labour intensive, and disruptions in labour supply, including organized work stoppages or our failure to attract and retain qualified employees, may adversely affect us.

The segments of the harvesting and processing industry in which we compete are labour intensive and require an adequate supply of qualified production workers willing to work in rough weather and potentially dangerous operating conditions at sea. A substantial portion of our employees are represented by unions, and any failure to renew or extend the labour agreements to which we are subject could result in work stoppages or other disruptions that may affect our ability to harvest or process seafood products. Additionally, some of our operations have from time to time experienced a high rate of employee turnover and could experience high turnover in the future. Labour shortages, the inability to hire or retain qualified employees or increased labour costs could have a material adverse effect on our ability to control expenses and efficiently conduct our operations. We may not be able to continue to hire and retain the sufficiently skilled labour force necessary to operate efficiently and to support our operating strategies, or we may not continue to experience favorable labour relations. In addition, our labour expenses could increase as a result of a continuing shortage in the supply of personnel. Changes in applicable local and federal laws and regulations could increase labour costs, which could have a material adverse effect on our business, results of operations and financial condition.

Our lack of long-term customer agreements or our inability to satisfy supply guarantees may lead to the sudden loss of significant customers, which would have a material adverse effect on our business.

We typically do not have written agreements with our customers. Accordingly, a customer may decide to terminate its relationship with us on relatively short notice. Additionally, we guarantee supply to some of our customers, and if we are unable to satisfy these guarantees, we may lose their business. The loss of significant customers may have a material adverse effect on our financial condition and results of operations.

Because we distribute a significant amount of our products and receive supplies and other provisions using maritime and air carriers, certain adverse conditions affecting these carriers and terminals at which they transfer cargo could have a material adverse effect on our business, financial condition or results of operations.

Our distribution and purchase channels depend on the services of maritime and air carriers who load and unload our products, supplies and other provisions at terminals in Canada, the United States, Europe, Asia and other regions. A strike, work slowdown, unfavorable weather conditions, changes in shipping routes or other factors adversely affecting such carriers or terminals could delay the delivery of our products and supplies. If this were to occur, it would negatively affect our sales and profitability.

Regulatory Risks Relating to Our Industry and Its Regulation

The repeal of, or adverse amendments to, the Canadian Fisheries Act, the National Federal Fishery Law (1998) of Argentina and the EU Common Fisheries Policy or material adverse changes to related industry regulations would likely impair our profitability.

The Canadian Fisheries Act, the National Federal Fishery Law (1998) of Argentina (along with their related regulations) and the Common Fisheries Policy restrict the harvesting of seafood in the waters off Atlantic Canada, Argentina and the UK, respectively, by providing for the registration of vessels, the issuance of licenses to catch specified species of seafood and the allocation to each license of a specified percentage of the TAC for the species to which the license applies. We and our joint ventures currently hold significant percentages of the TAC or allocation of effort days for the species we harvest, including 49% of the TAC in the Atlantic Canada offshore sea scallop fishery and 100% of the TAC in the Atlantic Canada offshore Arctic surf clam fishery. In the event that either of these Acts or their related regulations were repealed or modified to permit the issuance of additional licenses or the operation of additional vessels in the fisheries in which we operate, we could be subject to new competition that could adversely affect our profitability. In addition, our harvesting rights and profitability would be adversely affected if either of these Acts or their related regulations were repealed or modified in a manner that decreases the percentage of the TAC allocated to the licenses we hold, either directly or indirectly. A repeal or modification of these Acts, their related regulations or other industry regulations could result from changes in the political environment, a significant increase or decrease in the population or biomass of the species we harvest or other factors, all of which are difficult to predict and are beyond our control. Any such change or repeal could have an adverse effect on our existing harvesting rights, which would have a negative impact on our results of operations and financial condition.

If we and members of our crew fail to comply with applicable regulations, our vessels may become subject to liens, foreclosure risks and various penalties and our fishing rights could be revoked.

Our industry is subject to highly complex statutes, rules and regulations. For example, we are subject to limitations on the type and amount of seafood we may harvest, as well as restrictions as to where we may harvest within our fisheries. If we or members of our crew violate maritime law or otherwise become subject to civil and criminal fines, penalties and sanctions, our vessels could be subject to forfeiture and our fishing rights could be revoked. The violations that could give rise to these consequences include operating a vessel with expired or invalid vessel documentation or in violation of trading restrictions, violating international fishing treaties or fisheries laws or regulations, submitting false reports to a governmental agency or interfering with a fisheries observer. Because our vessels' harvesting and processing activities take place at sea, outside the day-to-day supervision of senior management, members of the crews of our vessels may have been guilty of infractions or violations that could subject them or us to significant penalties, which could have a material and adverse effect on our results of operations and financial condition.

In addition, our vessels may become subject to liens imposed by operation of maritime law in the ordinary course of business. These include liens for unpaid crew wages, liens for damages arising from maritime torts, liens for various services provided to the vessel and liens arising out of the operation, maintenance and repair of the vessel. The holders of these liens may have the right to foreclose on the vessel if the circumstances giving rise to the liens are not adequately addressed.

Regulations related to non-targeted ocean resources could limit the volume of seafood we catch, impose substantial costs on our operations and reduce our operational flexibility.

Regulatory agencies in our operating jurisdictions may impose various operational requirements aimed at managing the impact of fishing on species that are not the target of harvesting operations. Regulation regarding non-targeted ocean resources is from time to time debated in various forums, and is the subject of public campaigns by environmental groups. Any significant change in the rules imposed by DFO or CFP could materially limit the volume of fish we catch and seafood product that we produce, increase our costs or decrease the flexibility of our fishing operations.

Our food processing operations are subject to international, federal and local regulation, and the failure of our plants to meet current or future control standards may result in plant shutdowns that materially affect our financial condition and results of operations.

Our food processing operations are subject to international, federal, provincial and local food processing controls and may be impacted by consumer product liability claims, product tampering, and the implementation of new governmental statutes, regulations, guidelines, licensing rules and policies. A determination by applicable regulatory authorities that any of our plants are not in compliance with any such controls in any material respect may allow regulators to shut down plant operations and may have a material adverse effect on our financial condition and results of operations. In addition, negative publicity, significant decreases in demand or increased costs associated with any of these circumstances may have a material adverse effect on our financial condition and results of operations.

Our plants are required to have licenses under the Fish Inspection Act of Newfoundland and Labrador and the Fisheries and Coastal Resources Act in Nova Scotia. Licenses must be renewed annually. In Newfoundland and Labrador, a Fish Processing Licensing Policy (2005) establishes a License Review Board that makes recommendations to the Minister regarding licensing applications and sets out licensing criteria including minimum processing thresholds for maintenance of a Fish Processing License. In Nova Scotia, the Nova Scotia Fish Processors and Fish Buyer License Policy (2004) applies to our plants. Changes to the applicable regulations or policy that results in the revocation or nonrenewal of one or more of our licenses by these governments would reduce our ability to process seafood and would have a material adverse effect on our business.

Our at-sea harvesting and processing operations are subject to regulatory control and political pressure from interest groups that may seek to materially limit our ability to harvest seafood.

Under relevant laws, statutes and regulations, various regulatory agencies, are endowed with the power to control our harvest of seafood in the fisheries. These regulators may decrease or eliminate our allocation of the seafood supply as a result of political pressure from a broad spectrum of lobbying interests, including other industry participants (harvesters or processors of these or other species) looking to increase their access to the resource or limit impacts on other species or environmental protection groups focused on the protection of the environment and marine life.

The laws and rules that govern the highly-regulated fishing industry could change in a manner that would have a negative impact on our operations, including a significant reduction in the TAC and our allocation thereof. In addition, protests and other similar acts of politically-motivated third party groups could cause substantial disruptions to the ability of our vessels to engage in harvesting activities. These factors are beyond our control and may affect a substantial portion of our harvesting and processing operations in any year, including a potential reduction in the TAC which could have a material adverse effect on our business, results of operations or financial condition.

If we fail to comply with applicable health and safety regulations, we may be subject to significant liability or imposed fines and penalties that could materially affect our business.

Our past and present business operations, including the harvesting, processing and transportation of seafood, have been and are subject to extensive and increasingly stringent federal, provincial and local statutes, regulations and by-laws and other requirements with respect to workers' health and safety in Canada, the United States and elsewhere. In Nova Scotia, the principal workers' health and safety legislation is the Occupational Health and Safety Act (Nova Scotia). Similarly in Newfoundland and Labrador, employers and employees are subject to the Occupational Health and Safety Act (Newfoundland and Labrador). Workers' health and safety on Canadian vessels is governed by the

Canadian Department of Transportation pursuant to the Canada Shipping Act. In the United States, workplace health and safety standards are governed by the federal Occupational Safety and Health Act and comparable state statutes that regulate the protection of the health and safety of workers. In Argentina, workplace health and safety standards are governed by the Work Risks Regulation #24557 and the Labour Risks Insurance law. We provide work accident risk insurance for our Argentine crews and office staff as required by law.

Compliance with all such laws and future changes to them is material to our business. We have incurred and will continue to incur significant capital and operating expenditures to comply with such laws. As a result of our operations, we may occasionally be subject to orders, investigations, inquiries or other proceedings relating to health and safety matters, including issues of compliance with legislation, permits and other requirements. Changes or additions to such regulatory matters, or more rigorous enforcement, could result in additional material expenditures. Furthermore, no assurance can be given that additional workers' health and safety issues relating to presently known matters or to other matters will not require currently unanticipated liability or expenditures for investigation, assessment or remediation, or result in fines or other penalties.

We may incur material costs associated with compliance with environmental regulations.

We are subject to foreign, federal, provincial, state and local environmental regulations, including those governing discharges to water, the management, treatment, storage and disposal of hazardous substances, and the remediation of contamination. As a result of such regulation, our operation, ownership, management and control of property carries an inherent risk of environmental liability, including with respect to the harvesting and processing of seafood, the disposal of waste and the ownership, management, control or use of vessels, transport vehicles and real estate. If we do not fully comply with environmental regulations, or if a release of hazardous substances occurs or has occurred at or from one of our facilities or vessels, we may be subject to potential civil or criminal actions, compliance orders, fines and other penalties and could be held liable for the cost of remediation. For example, an accident involving one of our vessels or the future discovery of contamination of property underlying or in the vicinity of our present or former properties or manufacturing facilities could result in significant fines and penalties and remediation costs. If we are subject to these penalties or costs, we may not be covered by insurance, or any insurance coverage that we do have may not cover the entire cost. Compliance with environmental regulations could require us to make material capital expenditures and could have a material adverse effect on our results of operations and financial condition.

If we do not comply with rules regulating foreign ownership and control of fishing vessels, we could lose our eligibility to participate in the fisheries in which we operate.

The DFO Commercial Licensing Policy requires that fishing licenses and vessels engaged in fisheries be owned by entities that are at least 51% Canadian citizen owned and controlled. If we do not comply with these rules and regulations, we could lose our eligibility to harvest certain species, which would have a material adverse effect on our business, financial condition or results of operations.

We rely on our Argentine minority partner in our Argentine scallop subsidiary for its operational expertise and local experience. We have no control over our Argentine minority partner and if such partner was unable to operate our Argentine subsidiary we may be unable to operate in Argentina until we found a new Argentine minority partner. There is no assurance that a new minority partner would have the same level of expertise or that their interests would align with ours.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Reference is made to Management's Discussion and Analysis of Financial Conditions and Results from Operations for the years ended December 31, 2015 and 2014 included in the 2015 and 2014 Annual Financial Statements and the associated Management Discussion and Analysis, which are incorporated herein by reference and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

MARKET FOR SECURITIES

The outstanding Common Shares of the Corporation are listed for trading on the TSX under the symbol CLR.

On February 4, 2014 common shares totaling 4,029,400 were issued to the public.

On June 30, 2015 common shares totalling 3,755,900 were issued to the public and concurrently, a non-brokered private placement was completed with certain existing shareholders for 1,225,000.

The monthly volume of trading and price ranges on the TSX of the Common Shares (CLR) during the 2015 financial year are set forth in the following table: Update table

Period	**High**	**Low**	**Volume**
2015	**$**	**$**	
January	13.95	10.93	1,183,596
February	15.24	12.74	1,415,882
March	14.66	12.96	1,090,782
April	14.42	11.66	829,711
May	13.45	11.66	1,074,249
June	13.25	13.06	1,196,196
July	12.25	10.70	1,304,825
August	13.13	9.22	1,027,982
September	11.11	9.84	697,514
October	12.79	9.81	1,384,375
November	13.43	11.83	789,946
December	13.1	11.15	887,630

DIRECTORS AND MANAGEMENT

Directors

The names, municipalities of residence, principal occupations and current holdings of the persons who are directors of Clearwater are set out below. All directors are elected at Clearwater's annual meeting of shareholders to hold office until the next annual meeting of shareholders or until their successors are duly elected or appointed.

Colin E. MacDonald, 67 Nova Scotia, Canada Common Shares: 31,903,676 (2) (3)	Mr. MacDonald is the Chairman of CSI. Mr. MacDonald's principal occupation is that of Chairman and was formerly the Chairman and Chief Executive Officer of CS ManPar. Mr. MacDonald has been a director of CSI, CS ManPar and its predecessors since 2002.
John C. Risley, 67 Nova Scotia, Canada Common Shares: 31,744,676 (3)	Mr. Risley is a Director of CSI and the President of Clearwater Fine Foods Incorporated, whose principal business is a holdings company. Mr. Risley has been a director of CSI since 2011 and its predecessors and CS ManPar since 2002. Mr. Risley has been a member of the Finance Committee since December 2012.
Larry Hood, 68 Nova Scotia, Canada Common Shares: 59,700 (1)	Mr. Hood is a director of CSI, Chair of the Audit Committee and a member of the Corporate Governance Committee. Mr. Hood was a Partner at KPMG LLP for 24 years and retired in 2005. Mr. Hood has been a director of CSI and CS ManPar since 2011.
Harold Giles, 74 Ontario, Canada Common Shares: 4,800 (1)	Mr. Giles is a director of CSI, Chair of the Human Resource Development and Compensation Committee. Mr. Giles is a former senior executive with General Electric and Bell and retired in 2005. Since retiring he has provided operations and leadership consulting to corporations in Canada and in Europe and to not for profit organizations. Mr. Giles has been a director of CSI since 2011 and served as a trustee of the Fund from 2010 to 2011. He has been director of CS ManPar and its predecessors since 2011.
Brendan Paddick, 52 Grand Bahama Island, Bahamas Common Shares: 120,000 (1)	Mr. Paddick is a director of CSI. He is member of the Audit Committee since May 12, 2015 . Mr. Paddick is a member of the Human Resource Development and Compensation Committee as well as the Finance Committee. His principal occupation

	is Chief Executive Officer of Columbus International Inc. since 2005, whose principal business is the provision of cable television and internet services. Mr. Paddick has been a director of CSI since 2011 and a director of CS ManPar since 2006.
Mickey MacDonald, 63 Nova Scotia, Canada Common Shares: 36,470,957; (4)	Mr. MacDonald is a director of CSI and a member of the Human Resources Development and Compensation Committee. Mr. MacDonald is President of Micco Companies, whose principal business is residential land development and automotive leasing. Mr. MacDonald has been a director of CSI since 2011 and a director of CS ManPar since 2009.
Stan Spavold, 56 California, USA Common Shares: 51,000 (1)	Mr. Spavold is a director and Assistant Secretary of CSI and the Chair of the Finance Committee and a member of both the Audit, and Corporate Governance Committees. Mr. Spavold is the Executive Vice President of Clearwater Fine Foods Incorporated, whose principal business is a holdings company. Mr. Spavold has been a director of CSI since 2011 and a director of CS ManPar since 2009.
Jim Dickson, 58 Nova Scotia, Canada Common Shares: 10,000 (1)	Mr. Dickson is a director of CSI and Chair of the Corporate Governance Committee and a member of the Finance Committees. Mr. Dickson is a Partner with the law firm Stewart McKelvey and is also a professional engineer. Mr. Dickson has been a director and Corporate Secretary of CSI since 2012 and a director of CS ManPar since 2012.
Jane Craighead, 56 Ontario, Canada Common Shares: 2,500(1)	Ms. Craighead is a director of CSI and a senior Vice President in Global Resources at Scotiabank. Ms. Craighead has been a director of CSI and a member of the audit committee since May 2015.

Notes:

(1) The information as to Common Shares owned, directly or indirectly, including by associates or affiliates, not being within the knowledge of the Corporation, has been furnished by the respective directors.

(2) Colin MacDonald controls 159,000 Common Shares directly and indirectly and 30,861,076 Common Shares indirectly through his investment in Clearwater Fine Foods Incorporated, which owns 7914091 Canada Inc.

(3) 7914091 Canada Inc, which is owned by Clearwater Fine Foods Incorporated (owned by Messrs. Colin MacDonald, John Risley and Mickey MacDonald) holds directly (and indirectly) 30,861,076 Common Shares of Clearwater.

(4) Mickey MacDonald holds 18,306 Common Shares directly and 30,861,076 Common Shares indirectly through his investment in 7914091 Canada Inc and 5,591,575 Common Shares through his investment in 3268454 Nova Scotia Limited.

Compensation for the Directors is $45,000 per Director per year (plus an additional $15,000 for the Chair of each committee and $7,500 for the members of each committee) and $2,000 per meeting per Director for attending meetings of the Board of Directors and committee meetings and conference calls of the Board of Directors and committee meetings. All Directors are reimbursed for out-of-pocket expenses for attending meetings and participate in insurance and indemnification arrangements**.**

As of the date of this AIF the number of Common Shares owned collectively, or controlled or directed, directly or indirectly, by the Directors and executive officers of Clearwater and their respective subsidiaries is approximately 37,175,557 representing 62% of the outstanding Common Shares, including those Common Shares held by 7914091 Canada Inc. over which Colin MacDonald, Mickey MacDonald and John Risley may be said to have control or direction or to beneficially own. Excluding the Common Shares held by 7914091 Canada Inc. and 3268454 Nova Scotia Limited, the number of Common Shares owned collectively, or controlled or directed, directly or indirectly, by the directors and executive officers of Clearwater and their respective subsidiaries is approximately 722,906, representing 1.21% of the outstanding Common Shares.

Management of the Business

The following sets out, for each of the executive officers of Clearwater (the "**Executive Officers**"), the person's name, position with Clearwater and the current holdings of Common Shares.

IAN SMITH, 52 Halifax, Nova Scotia, Canada Common Shares: 1,400	Mr. Smith is Chief Executive Officer of CSI since May 2010. Prior to his appointment as CEO, Mr. Smith held senior leadership positions at Campbell Soup Company and Colgate-Palmolive.
ROBERT D. WIGHT[(1)], 60 Halifax, Nova Scotia, Canada Common Shares: 240,000	Mr. Wight is Vice President, Finance and Chief Financial Officer of CSI and has been with Clearwater since 1987.
GREG MORENCY, 54 Halifax, Nova Scotia, Canada Common Shares: Nil	Mr. Morency is Chief Commercial Officer and President, Global Markets of CSI. Prior to joining Clearwater in 2011, Greg held a senior leadership position as Vice President and General Manager Asia Pacific for Tate and Lyle, PLC.
DIETER GAUTSCHI, 45 Halifax, Nova Scotia, Canada Common Shares: Nil	Mr. Gautschi is Vice President, Human Resources of CSI. Prior to joining Clearwater in 2015, Dieter was was Vice President of Leadership Planning and National Director of Human Resources for Sobeys Inc.
RON VAN DER GIESEN, 50 Halifax, Nova Scotia, Canada Common Shares: Nil	Mr. van der Giesen is President, Global Supply Chain of CSI and has been with Clearwater since 2014. Prior to joining Clearwater, Ron held senior leadership positions in global supply chain management at Unilever PLC and CSM Bakery Solutions.
CHRISTINE PENNEY, 41 Halifax, Nova Scotia, Canada Common Shares: 100	Ms. Penney is Vice President Sustainability and Public Affairs of CSI and has been with Clearwater since 1996.
DAVID KAVANAGH, 62 Halifax, Nova Scotia, Canada Common Shares**:** Nil	Mr. Kavanagh is the Vice President and General Counsel of CSI and has been with Clearwater since 2003.
KIRK ROTHERBERGER, 51 Halifax, Nova Scotia, Canada Common Shares: Nil	Mr. Rotherberger is the Chief Information Officer, Information services of CSI. Prior to joining Clearwater in 2015 Kirk was the CIO, IT and Business Process Improvements of Essar Steel Algoma Inc.

(1) Bob Wight will retire later this year and Teresa Fortney will be appointed Vice President Finance and Chief Financial Officer, effective March 24, 2016.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

To the knowledge of the directors and executive officers of Clearwater, no director or executive officer of Clearwater is, as at the date hereof, or has been, within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that, (i) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case that was in effect for a period of more than 30 consecutive days (an "Order") that was issued while such director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

To the knowledge of the directors and executive officers of Clearwater, no director or executive officer of Clearwater or a shareholder of Clearwater holding a sufficient number of securities to affect materially the control of Clearwater:

(a) is, as the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director executive officer, or shareholder.

Penalties or Sanctions

To the knowledge of the directors and executive officers of Clearwater, no director or executive officer of Clearwater or a shareholder of Clearwater holding a sufficient number of securities to affect materially the control of Clearwater:

(a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

AUDIT COMMITTEE

The purpose of the Audit Committee, which is comprised, as of December 31, 2015, of Messrs. Hood (Chair), Spavold, Paddick and Craighead, is to assist the board in fulfilling its responsibilities of oversight and supervision of the:

- accounting and financial reporting practices and procedures of CSI and its subsidiaries;
- adequacy of internal accounting controls and procedures of CSI and its subsidiaries; and
- quality and integrity of financial statements of CSI.

In addition, this committee is responsible for directing the examination into specific areas by the auditors of CSI. A copy of the Audit Committee's charter is attached hereto as Schedule "A". In addition to each member's general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below. Each of the Audit Committee members is financially literate and Larry Hood, Brendan Paddick and Jane Craighead are considered to be independent. Stan Spavold is not considered independent as he serves as an officer of Clearwater Fine Foods Incorporated ("CFFI"), a shareholder of

7914091 Canada Inc., a controlling shareholder of CSI. The Board has determined that Mr. Spavold can serve on the Audit Committee and that he is exempt from the independence requirement set forth in Section 3.1(3) of National Instrument 52-110 – *Audit Committees* ("NI 52-110"), in accordance with Sections 3.3(2) and 3.7 of NI 52-110. In reaching this conclusion, the Board considered that: (i) Mr. Spavold would be independent but for his role with CFFI, (ii) the Board is satisfied that he is able to exercise the impartial judgment necessary for him to fulfill his responsibilities as an Audit Committee member, (iii) his appointment is in the best interests of CSI and its shareholders, and (iv) all other conditions set forth on Sections 3.3(2) and 3.7 of NI 52-110 are met.

Audit Committee Members and Relevant Education and Experience

The following is a brief summary of the education or experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee, including any education or experience that has provided the member financial literacy, that is, an understanding of the accounting principles used by Clearwater to prepare its annual and interim financial statements:

Larry Hood (Chair): Mr. Hood is a retired assurance partner, having spent his entire 35 year career, with the accounting firm KPMG. Larry holds a Bachelor of Commerce from Saint Mary's University and is a Chartered Accountant. During Larry's career he served many clients, gaining extensive experience in the fishing industry. Larry has been involved with many community projects and has recently retired from the Board of Governors of Saint Mary's University.

Stan Spavold: Mr. Spavold is the Executive Vice President of Clearwater Fine Foods Incorporated. Mr. Spavold holds a BComm (Honours) degree from Dalhousie University. He received his Chartered Accountant designation in 1983 and his Fellow Chartered Accountant designation in 2011. After 8 years in public accounting with KPMG, Stan joined McCain Foods Limited and was appointed Vice President Finance in 1998. He joined Clearwater Fine Foods Incorporated as Executive Vice President in 2002. Stan is a former Director and member of the Audit Committee of High Liner Foods Incorporated. He is also a former board member and Audit Committee Chair of General Don Lee Income Fund, Royal Host Real Estate Trust and Halterm Income Fund. Stan also served as Board Chairman of General Donlee Income Fund and Halterm Income Fund. He is a past member of the Board of Governors of Dalhousie University and was Chair of their investment committee. He is currently Chairman of Norvista Capital Limited, and Chairman of the audit committee of Biox Corporation.

Brennan Paddick: Mr. Paddick is the founder and past chief executive officer of Columbus International Inc. Columbus provides digital video broadband internet, wholesale capacity and IP services, as well as cloud-based corporate data solutions and data center hosting throughout 42 countries in the greater Caribbean, Central American and Andean region. He holds a Bachelor of commerce and a Master of Business Administration from Memorial University of Newfoundland and graduated from the Advanced Management Program at Harvard University.

Jane Craighead: Ms. Craighead is a Senior Vice President in Global Human Resources at Scotiabank. Her corporate experience also includes similar roles at Alcan and Rio Tinto, a large UK based mining conglomerate. Jane is a Chartered Accountant (CA) and Chartered Professional Accountant (CPA) and worked for many years in practice and in consulting. She holds a PhD in Management from McGill Univeristy.

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Auditors' Fees

KPMG LLP has served as Clearwater's auditor since the date of completion of the initial public offering.

The table below provides disclosure of the services provided and fees billed by Clearwater's external auditor over the two most recently completed fiscal years, dividing the services into the three categories of work performed:

Type of Work	Fees – Fiscal 2014	Fees – Fiscal 2013
Audit fees	$654,206	$657,475
Tax fees	164,642	188,001
Total	**$818,830**	**$915,122**

Audit Services

Audit services relate to professional services rendered by the auditors for the audit of the Corporation and Clearwater's annual financial statements as well as services provided in connection with statutory and regulatory filings, prospectuses, periodic reports and other documents filed with securities regulatory bodies or other documents issued in connection with securities offerings.

Tax Services

Tax fees were paid for the review of tax returns, the review of proposed reorganizations of certain subsidiaries, assistance with review of foreign tax filings and assistance in completing routine tax schedules and calculations.

Any non-audit services to be provided by the external auditors are required to be reviewed and approved in advance by the Chair of the Audit Committee. In addition, on a quarterly basis all fees paid to the external auditors, audit and non-audit, are reviewed in detail by the Audit Committee.

CONFLICTS OF INTEREST

Clearwater is not aware of any existing or potential material conflicts of interest between Clearwater or a subsidiary of Clearwater and any Director or officer of Clearwater or a subsidiary of Clearwater which have not been properly disclosed.

Non-Competition Agreement

In July 2002, CFFI and the individuals controlling it, Messrs. John C. Risley and Colin E. MacDonald, together with any person or entity controlled by or related to any of them, (collectively, the "**Restricted Persons**") entered into a non-competition agreement (the "**Non-Competition Agreement**") pursuant to which they covenanted not to compete with the business of Clearwater. The terms of this non-competition covenant are as follows.

- The term of the non-competition covenant is from July 31, 2002 until the first anniversary of the date that the Restricted Persons collectively hold less than 20% of the Common Shares on a fully diluted basis.

- Subject to the next sentence, during the term of the non-competition covenant, the Restricted Persons may not engage in the harvesting or primary processing of seafood in Atlantic Canada or Argentina, either by establishing a new business or purchasing an existing business, without the prior written consent of the Directors. If any of the Restricted Persons purchases a business that, as part of its operations, harvests or primary processes seafood in Atlantic Canada or Argentina, such a purchase shall not be regarded as a breach of the non-competition agreement provided that the harvesting and primary processing aspect of the business is disposed of within 18 months and, in connection with any such disposition, Clearwater is provided with a right of first refusal to purchase the business on terms that are no less favorable to Clearwater than the terms (if any) made available to a third party. The decision by Clearwater as to whether to exercise the right of first refusal will be made by the unrelated Directors and in compliance with all applicable securities laws, including, if applicable, the rules of certain securities regulators applicable to "related party transactions".

- The Restricted Persons may not purchase, directly or indirectly, a business that primarily engages in the harvesting or primary processing of seafood outside of Atlantic Canada or Argentina without first providing Clearwater with the opportunity to pursue the purchase of such business.

- Notwithstanding the foregoing, none of the following shall be regarded as a breach of the non-competition agreement or give rise to any rights in favor of Clearwater: (i) the acquisition of less than 20% of the shares or ownership interest in any entity or partnership provided that Clearwater shall have a right of first refusal in respect of the subsequent disposition of such an interest; (ii) CFFI increasing its interest in FPI Limited up to 49.9%; or (iii) the purchase of any business that, as part of its operations, derives less than $20 million in annual revenues over the three year period prior to the acquisition date from harvesting or primary seafood processing activities.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its offices in the cities of Toronto, Ontario and Halifax, Nova Scotia.

MATERIAL CONTRACTS

The only material contracts entered into by Clearwater or its subsidiaries during the 2014 financial year or entered into prior to the most recently completed financial year, but after January 1, 2002, and that are still in effect, other than in the ordinary course of business, are as follows:

(a) the amended and restated limited partnership agreement dated July 31, 2002 among CS ManPar, Clearwater Seafoods Holdings Trust, CFFI, Atlantic Shrimp Company Limited and 2348800 Nova Scotia Limited, as amended, relating to the formation of CSLP;

(b) the amended and restated credit agreement dated June 26, 2013 among CSLP, the other credit parties signatory thereto, the lenders signatory thereto from time to time, GE Canada Finance Holding Company, GE Capital Markets (Canada) Ltd., GE Capital Markets Inc., BMO Capital Markets, and Rabobank Nederland, Canadian Branch as providing for (i) a senior secured term loan A term credit facility, (ii) a senior secured term loan B term credit facility, (iii) a senior secured delayed draw term loan facility and (iv) a senior secured revolving credit facility; and

(c) the amended and restated arrangement agreement dated July 25, 2011 among Clearwater, the Fund, Clearwater Seafoods Holding Trust, CSLP, CS ManPar and 7914091 Canada Inc. providing for the conversion from an income trust to corporate structure.

LEGAL PROCEEDINGS

During the year ended December 31, 2015, Clearwater is not and has not been a party to, and none of its property is or was the subject of, any legal proceedings which Clearwater has determined to be material to its business or operations, nor is Clearwater aware that any legal proceedings material to its business and operations are contemplated.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director, executive officer or principal shareholder of Clearwater, nor any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transaction which has materially affected Clearwater in the past three financial years or the current financial year (or in any transactions or proposed transaction which is reasonably expected to materially affect Clearwater in the future), except as disclosed herein under "General Development of Clearwater" or as disclosed in the Management Information Circular relating to the most recent annual meeting of shareholders of Clearwater.

INTERESTS OF EXPERTS

Names of Experts

The only persons or companies who are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under National Instrument 51-102 by CSI during, or relating to, CSI's most recently completed financial year, and whose profession or business gives authority to the statement, report or valuation made by the person or company, is KPMG LLP Chartered Accountants.

Interests of Experts

KPMG LLP Chartered Accountants has advised that it is independent in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Nova Scotia.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness and principal holders of securities of Clearwater, is contained in Clearwater's Management Information Circular relating to the most recent annual meeting of shareholders of the Clearwater. Additional financial information is contained in our financial statements and management discussion and analysis ("MD&A") for the year ended December 31, 2014. Additional information relating to Clearwater may also be found on SEDAR at www.sedar.com. Copies of all of these documents may be obtained upon request from the Treasurer of Clearwater, 757 Bedford Highway, Bedford, Nova Scotia, B4A 3Z7.

SCHEDULE "A"
CLEARWATER'S AUDIT COMMITTEE CHARTER

Audit Committee Mandate

The Canadian Securities Administrators' (CSA) National Instrument 52-110 has defined specific requirements for Audit Committees to meet. One of these requirements is that the Company's Audit Committee will have a written charter that sets out its mandate and responsibilities. It also requires the text of the charter to be included in the annual information form along with other specified information on the Audit Committee members.

Purpose:

The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. The Committee will also be responsible for identifying principal risks of the business and ensuring appropriate risk management techniques are in place.

The Audit Committee charges management with developing and implementing procedures to:

- *ensure internal controls are appropriately designed, implemented and monitored*
- *ensure reporting and disclosure of required information is complete, accurate, and timely.*

The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls, following the execution of the Committee's responsibilities as described in this mandate.

Composition of Committee:

The Committee will be composed of not less than 3 independent members of the Board of Directors. The independence of the Board members will be determined in accordance with all applicable rules of securities laws and regulatory authorities. The Board may also approve the appointment of a non-independent Director as a member of the Audit Committee, provided that such appointment is recommended by the Governance Committee and meets the requirements under all applicable security laws and regulatory rules for membership on the Committee.

All members of the Committee will be financially literate as defined by applicable legislation. If a member upon appointment to the Committee is not financially literate as required, the person will be provided a three month period in which to achieve the desired level of literacy.

Any independent member who loses their independent status will be required to resign from the Committee within three months of becoming non-independent. The Board will replace the member within such three month period with an independent director who is recommended by the Governance Committee. If it is the Chair of the Committee who loses independent status, the Governance Committee shall immediately designate another member of the Committee to act as Chair.

Authority:

The Committee has the authority to engage independent counsel and other advisors as it deems necessary to carry out its duties and the Committee will set the compensation for such advisors.

The Committee has the authority to communicate directly and meet with the external auditor, without management involvement. The external auditor reports directly to the Audit Committee.

Responsibilities:

1. The Audit Committee will recommend to the Board of Directors;

   (a) the external auditor to be nominated for purposes of preparing or issuing the Auditor's Report or performing other audit, review or attest services for the Company.
   (b) the compensation of the external auditor.

2. The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing the Auditor's Report or performing other review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting. The Audit Committee will also ensure that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor. The Audit Committee will also ensure that the external auditor meets the rotation requirements for partners and staff on the Company's audit.

3. The Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company's external auditor. The Audit Committee may delegate to the Chair or any other independent member of the Committee the authority to pre-approve non-audit services, with such pre-approved services to be presented to the Audit Committee at the next scheduled Audit Committee meeting following such pre-approval.

4. The Audit Committee will review and discuss with management and the external auditors the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, and the external auditor's written communications to the Committee and to management.

5. The Audit Committee reviews the Company's financial statements, MD&A as well as annual and interim earnings press releases and recommends the approval of same to the Board prior to public disclosure of such information.

6. The Audit Committee ensures that adequate procedures are in place for the review of financial information extracted or derived from the Company's financial statements as contained in the Company's other public disclosures, and must periodically assesses the adequacy of those procedures.

7. The Audit Committee establishes procedures for:

   a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
   b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

8. The Audit Committee reviews and approves the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Company. The Committee will ensure that the policies prohibits hiring any partners, employees and former partners and employees of the present and former external auditor of the

Company until the passage of three years subsequent to the date of their last employment by the present or former external auditor of the Company.

9. The Audit Committee will, with respect to ensuring the integrity of disclosure controls and internal controls over financial reporting, understand the process utilized by the Chief Executive Officer and the Chief Financial Officer to comply with National Instrument 52-109. This will also involve the assessment of internal controls and any disagreements between management and the auditor regarding the state of internal controls.

10. The Audit Committee will undertake a process to identify the principal risks of the business and ensure appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed and the effectiveness of the risk mitigation strategies.

11. The Audit Committee will annually assess the effectiveness of the Committee and the contribution of individual members of the Committee.

Reporting:

The reporting obligations of the Committee will include:

- Reporting to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting.
- Reviewing the disclosure required in the Company's Annual Information Form as Form 52-110FI.
- Reviewing the disclosure required in the Company's Management Information Circular;
- Reviewing any other filings as required pursuant to securities regulatory requirements from time to time.

Meetings:

The Committee will meet at least four times per year and at least once every fiscal quarter.

Notice of meetings shall be given to the external auditor of the Company, and meetings can be convened at the request of the external auditor.