Clearwater
Seafoods
Incorporated

2013 third quarter report

Clearwater

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LETTER TO SHAREHOLDERS

- Clearwater reports 12% growth in both sales and adjusted EBITDA in third quarter of 2013.
- Year to date sales growth of 7.9% and adjusted EBITDA growth of 6.2%.
- Results included twelve month rolling adjusted EBITDA of $75.6 million and free cash flows of $25.2 million for 2013 versus $69.5 million and a net use of cash of $5.3 million in the prior period, respectively.
- Management maintains strong and positive full year outlook consistent with long term growth targets including sales growth greater than 5%; adjusted EBITDA margins greater than 18%; and return on assets greater than 12%

Third quarter results

Clearwater reported sales of $114.0 million and adjusted EBITDA[1] of $28.9 million for the third quarter of 2013 versus 2012 comparative figures of $101.6 million and $25.7 million. Free cash flows[1] were $11.4 million versus $13.0 million in the third quarter of 2012. Margins improved 3.7 percentage points from 24.0% in 2012 to 27.7% for 2013.

Adjusted EBITDA for the third quarter of 2013 increased $3.2 million, or 12.3%, as compared with the third quarter of 2012 due to a strong and growing market demand that improved sales prices for the majority of species. Margins were partially offset by higher clam and scallop harvest costs.

Free cash flow from operations improved in the third quarter of 2013 as a result of strong sales prices and volumes which contributed to improved margins. Demand remains strong for all species positively impacting margins. This was offset by higher capital expenditures from scheduled refits and vessel conversions, and the timing of payments to minority interest partners. Refer to the Management discussion and analysis for further information on free cash flow.

Year-to-date results

Clearwater reported sales of $277.6 million and adjusted EBITDA[1] of $56.8 million for the 39 weeks year to date versus 2012 comparative figures of $257.4 million and $53.4 million. Year-to-date use of cash was $12.6 million versus $20.5 million in 2012. Gross margins improved 1.3 percentage points, to 22.2% as compared with the same period in 2012.

Adjusted EBITDA for 2013 increased 6.2% due to a strong and growing market demand that improved sales prices for scallops, lobster and snow crab. Margins were partially offset by higher clam, scallop and shrimp harvest costs.

In 2013 the use of cash improved by $7.9 million to $12.6 million as a result of improved margins and lower interest expense and the timing of dividend payments received from a joint venture.

Seasonality

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

Results for the 2013 third quarter and year-to-date period are consistent with Management's expectations and position the business to deliver on its annual targets for 2013.

When considering and seeking to understand seasonality, it is useful to look at rolling twelve month results. Rolling twelve month results include sales growth of 7.5% to $370.6 million, adjusted EBITDA growth of 8.7% to $75.6 million and growth in free cash flows of $30.5 million to $25.2 million.

Outlook

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

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

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

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

Management is pleased with the progress made in the third quarter and year-to-date periods and expects the Company to hit its annual targets for 2013.

Market demand for our products is strong and has contributed to improvements in revenue and free cash flow. As we continue to invest in our business and increase our access to supply, we expect to continue to deliver sustainable and profitable growth in 2014 and beyond.

Annual Targets for 2013

Management set the following annual targets for 2013:

- sales growth – 5% or greater,
- adjusted EBITDA margins – 18% or greater,
- return on assets - 12% or higher

Management remains focused on six key initiatives to create shareholder value.

1. Sustainably growing adjusted EBITDA and sales - Clearwater has experienced continued growth in rolling twelve month adjusted EBITDA and sales by controlling costs and improving productivity, product mix and prices.

   Clearwater will continue to lever its vertical integration to maximize value per pound in existing segments and to capture a growing share of the seafood value chain through the introduction of value-added new products in certain core species.

   Management expects that the trend of earnings growth to continue in 2013 despite lower available supply of inventories to start the year and difficult weather conditions for harvesting in the first half of the year. During the summer months Clearwater realized improved harvesting conditions and this combined with strong demand, is leading to stronger sales, margins and adjusted EBITDA in the second half of 2013 enabling Clearwater to continue the trend of growth in 2013.

   In June 2013 the Company announced the planned investment in a third vessel for its’ clam business.

   This investment is estimated at $45 million. A vessel with suitable size hull and power configuration has been sourced and a yard is being commissioned to commence vessel conversion in the first quarter of 2014. Management expects to complete conversion work over a period of 18 months and enter the new vessel into service in 2015.

   This investment will drive growth in Clearwater’s clam business by expanding access to clam supply by approximately 60% by 2017, at which time Clearwater expects to earn incremental contribution margins of approximately $8 million per year.

2. Generating strong free cash flows– Clearwater is focused on increasing free cash flows through generating strong cash earnings, managing its working capital and carefully planning and managing its capital expenditure program.

Seasonality results in lower free cash flows higher debt balances and higher leverage in the first half of the year and higher free cash flows, lower debt balances and lower leverage levels in the second half of the year.

In addition certain large investments in longer term assets, for example vessel conversion/acquisitions, are funded with long term capital such as amoritizing term loans. As a result Clearwater does not deduct such capital expenditures in the determination of free cash flows but rather deducts the related debt payments.

Free cash flow for the rolling 12 month period ending September 28, 2013 increased by $30.5 million to $25.2 million as compared to the same period in 2012 as a result of improvements in cash flows from operations. Improvements were a result of strong demand for the majority of species contributing to higher prices and sales volumes. In addition lower interest costs and a reduction in the use of working capital contributed to the improvement in free cash flow**.**

3. Improving the capital structure - During the second quarter of 2013 Clearwater successfully completed a refinancing of substantially all of its senior debt facilities. The new capital structure provides financing for $45 million investment in a new vessel for the Company's clam harvesting operations, reduces the overall cost of debt and annual interest costs by 1.75 percentage points to 4.75% or approximately $2.6 million per year, further enhances liquidity through the use of a revolving debt facility that is not limited by a borrowing base and provides full availability through the fiscal period of the full amount of the $75 million facility and allowed for the early redemption of 7.25% convertible debentures

   As of September 28, 2013 leverage decreased to 3.1x adjusted EBITDA from 3.6x as of September 29, 2012.

   Although this financing and the previously mentioned investment in a third clam vessel will result in an increase in total leverage for the next 2 years, management remains committed to a long-term leverage goal of 3x or lower.

4. Focused management of foreign exchange - Clearwater has a focused and targeted foreign exchange hedging program to reduce the impact of short-term volatility in exchange rates on earnings. This, combined with stronger processes for price management reduces the impact of exchange rate volatility on the business. Clearwater has approximately 73% of its estimated US Dollar, Euro and Yen exposures for 2013 hedged at rates of 0.986, 1.25 and 0.013 respectively and approximately 33% of its estimated US Dollar, Euro and Yen exposures for 2014 hedged at rates of 0.984, 1.37 and 0.011 respectively.

5. Building world class leadership, management, sales and marketing capabilities - Clearwater has begun implementing best in class programs for key account management, new product development, sales and operations planning,

recruitment and compensation practices. In addition, over the past two years Clearwater has added a number of new people to its senior management team and its' Board of Directors and is implementing a more robust ERP system to provide enhanced business information to support management decision making.

6. Communicating underlying asset values - Clearwater has an industry-leading portfolio of quotas that provide strong security of underlying value to lenders and investors. In 2012 an independent appraisal placed a value on these quotas of $453 million. Clearwater obtained further independent support for the value in these licenses in the third quarter of 2012 when the Arctic surf clam fishery received the Marine Stewardship Council (MSC) certification. These species join the Clearwater family of MSC-certified sustainable seafood offerings including Canadian sea scallops, Argentine scallops, Canadian coldwater shrimp and Eastern Canadian offshore lobster. Clearwater now boasts a total of seven species certified sustainable by the MSC, completing the certification of all its core products, and giving the Company the widest selection of MSC-certified species of any seafood harvester worldwide.

Management believes that it has the correct strategies and focus to provide sustainable competitive advantage and long-term growth. These strategies include:

1. Expanding access to supply;
2. Targeting profitable and growing markets, channels and customers;
3. Innovating and positioning our products to deliver superior customer satisfaction and value;
4. Increasing margins by improving price realization and cost management;
5. Preserving the long-term sustainability of our resources; and
6. Improving our organizational capability and capacity, talent, diversity and engagement

Management also believes that it has the people, processes and financial resources to execute these strategies and create value for its shareholders. This includes the capacity to execute Clearwater's five year strategic plan. This plan, developed and initiated in 2012, has the stated aim to achieve $500.0 million in sales and $100.0 million in adjusted EBITDA by the end of 2016 or earlier.

1 – Refer to definitions within the Management discussion and Analysis

2- Clearwater's business experiences a predictable seasonal pattern in which sales, margins and adjusted EBITDA are lower in the first half of the year while investments in capital expenditures and working capital are higher. This normally results in negative cash flows in the first half of the year. We refer to the negative cash flows as "a net use of cash" in this document.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
November 1, 2013

MANAGEMENT’S DISCUSSION AND ANALYSIS

This Management’s Discussion and Analysis (“MD&A”) was prepared effective November 1, 2013.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated (“Clearwater”) have reviewed and approved the contents of this MD&A, the financial statements and the 2013 third quarter news release.

This MD&A should be read in conjunction with the 2012 annual financial statements and the 2012 Annual Information Form, which are available on Sedar at www.sedar.com as well as Clearwater’s website, www.clearwater.ca.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

This Report may contain forward-looking statements. Such statements involve known and unknown risks, uncertainties, and other factors outside management’s control including, but not limited to, total allowable catch levels, selling prices, weather, exchange rates, fuel and other input costs that could cause actual results to differ materially from those expressed in the forward-looking statements. Clearwater does not undertake any obligation to publicly revise these forward-looking statements to reflect subsequent events or circumstances other than as required under applicable securities laws.

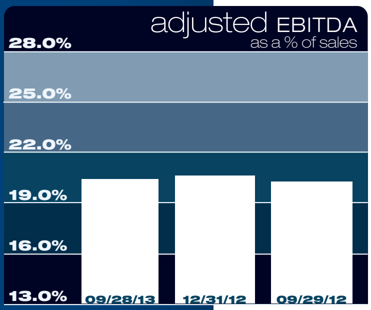
CLEARWATER OVERVIEW

Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labeled seafood, including scallops, lobster, clams, coldwater shrimp, crab and ground fish. Our key competitive advantages include ownership of licenses and quotas in key species, our innovations and intellectual property in harvesting and processing technologies, and our vertical integration, which allows Clearwater to manage harvesting, processing, marketing, sales and distribution all in-house. Since the founding of the business in 1976, Clearwater has invested in science, people, technology, resource ownership and resource management to preserve and grow its seafood resource. This commitment has allowed Clearwater to become a leader in the global seafood market.

key performance indicators of clearwater seafoods incorporated

Profitability

rolling twelve month period ending



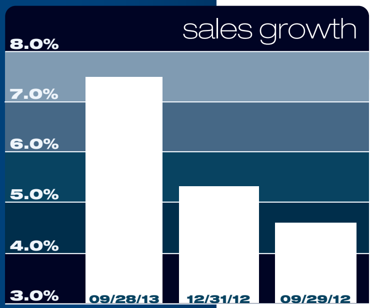
Adjusted EBITDA*

09/28/13	75,568
12/31/12	72,243
09/29/12	69,546
Target	N/A

Adjusted EBITDA* as a % of sales

09/28/13	20.4%
12/31/12	20.6%
09/29/12	20.2%
Target	18.0% or greater

Twelve month rolling adjusted EBITDA for the third quarter of 2013 increased 8.7% to $75.6 million as compared to the same period in 2012. The increase was as a result of strong sales volumes for scallops, turbot and snow crab. Strong market demand for sea scallops, shrimp and snow crab improved margins.



Sales

09/28/13	370,604
12/31/12	350,447
09/29/12	344,630
Target	N/A

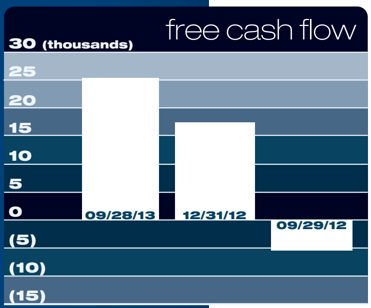
Sales Growth

09/28/13	7.5%
12/31/12	5.3%
09/29/12	4.6%
Target	5.0%

Market demand is strong which has contributed to improvements in revenue and free cash flow and as we continue to invest in our business and increase our access to supply, we expect to be able to continue to grow the business in 2014.

Financial Performance

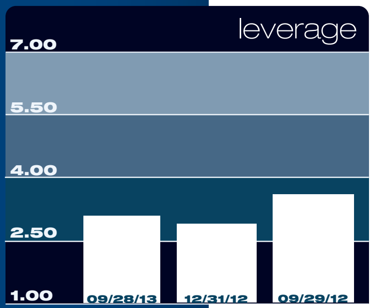
rolling twelve month period ending



Free cash flows[1]

09/28/13	25,199
12/31/12	17,347
09/29/12	(5,317)
Target	N/A

Twelve month rolling free cash flows increased $30.5 million to $25.2 million at September 28, 2013 from the same period in 2012, as a result of improvements in cash flows from operations.



Leverage*

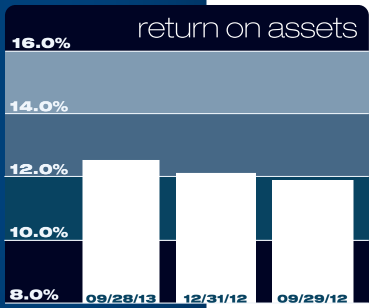
09/28/13	3.1
12/31/12	2.9
09/29/12	3.6
Target	3.0 or lower

As at September 28, 2013 leverage decreased to 3.1x adjusted EBITDA from 3.6x as of September 29, 2012. During the second quarter of 2013 Clearwater successfully completed a refinancing of substantially all of its senior debt facilities.

Although this financing and the investment in a third clam vessel will result in an increase in total leverage for the next 2 years, management remains committed to a long-term leverage goal of 3x adjusted EBITDA or lower.

Returns

rolling twelve month period ending



Return on assets*

09/28/13	12.5%
12/31/12	12.1%
09/29/12	11.9%
Target	12.0% or greater

Return on assets shows stable improvement as a result of focused management of investments.

Note: Refer to definitions * Supplemental information provided for Target

[1] The change in annual free cash flows for December 31, 2012 relates to the adoption of IFRS 11 – Joint Arrangements, effective January 1, 2013, whereby a company that has certain scallop harvesting operations that was previously proportionately consolidated, is now accounted for using the equity method.

Management continues to focus on maintaining or exceeding targets throughout 2013.

key performance indicators of clearwater seafoods incorporated

Management expects that demand, for all our core species, will enable Clearwater to continue the trend of growth in annual earnings and free cash flow in 2013. Management maintains a strong and positive full year outlook consistent with long term growth targets including:

- sales growth – 5% or greater,
- adjusted EBITDA margins – 18% or greater,
- return on assets - 12% or higher.

1 – Refer to definition of Adjusted EBITDA
2 – Refer to definition of free cash flow

EXPLANATION OF YEAR TO DATE 2013 EARNINGS

Overview

The statements reflect the earnings of Clearwater for the 39 weeks ended September 28, 2013 and September 29, 2012

In 000's of Canadian dollars	September 28 2013	September 29 2012
Sales	$ 277,647	$ 257,357
Cost of goods sold	215,907	203,371
Gross margin	61,740	53,986
	22.2%	*21.0%*
Administrative and selling	25,710	22,771
Finance costs	30,069	18,887
Other income	(1,576)	(2,194)
Research and development	1,029	935
	55,232	40,399
Earnings before income taxes	6,508	13,587
Income tax (recovery) expense	(9,088)	1,401
Earnings	$ 15,596	$ 12,186
Earnings attributable to:		
Non-controlling interests	$ 6,161	$ 5,657
Shareholders of Clearwater	9,435	6,529
	$ 15,596	$ 12,186

Year to Date 2013 Earnings

Clearwater reported strong results including sales of $277.6 million and adjusted EBITDA of $56.8 million, versus 2012 comparative figures of $257.4 million and $53.4 million, respectively.

Gross margin as a percentage of total sales improved from 21.0% in 2012 to 22.2% in 2013 due primarily to strong demand that provided higher sales prices for sea scallops, shrimp, and snow crab. Higher catch rates for scallops increased available supply and contributed to the increase in total gross margin dollars.

Excluding non-operational items of $3.9 million (refer to the following table), net earnings improved by $7.4 million, primarily due to higher margins of $7.8 million and lower interest expense of $3.2 million. Including non-operational items net earnings improved by $3.4 million to $15.6 million.

Non-operational items included non-cash unrealized foreign exchange losses, refinancing and debt settlement costs, and realized foreign exchange losses from the translation of the US dollar denominated debt that settled June 2013, partially offset by non-cash gains on the fair value adjustment on long term debt and an increase in deferred income tax assets.

In 000's of Canadian dollars 39 weeks ended	September 28 2013	September 29 2012	Change
Net earnings	$ 15,596	$ 12,186	$ 3,410
Explanation of changes in earnings related to operational items:			
Higher gross margin			7,754
Lower interest expense			3,218
Higher administrative and selling			(2,939)
Lower other income			(618)
			7,415
Explanation of changes in earnings related to non-operational items:			
Higher deferred income tax asset			10,489
Higher realized foreign exchange losses			(7,764)
Higher unrealized foreign exchange losses			(7,245)
Lower fair value adjustments on convertible debentures and embedded derivative			3,727
Higher fees on settlement of debt			(3,118)
			(3,911)
All other			(94)
			$ 3,410

1 – Refer to definition of Adjusted EBITDA

Sales by region

In 000's of Canadian dollars 39 weeks ended		September 28 2013		September 29 2012		Change	%
United States	$	59,572	$	43,242		16,330	37.8
Canada		42,729		36,668		6,061	16.5
North America		102,301		79,910		22,391	28.0
Europe		87,796		87,407	$	389	0.4
China		43,109		39,051		4,058	10.4
Japan		28,160		36,011		(7,851)	(21.8)
Other Asia		14,209		13,302		907	6.8
Asia		85,478		88,364		(2,886)	(3.3)
Other		2,072		1,676		396	23.6
	$	277,647	$	257,357	$	20,290	7.9

Europe

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

European sales increased $0.4 million to $87.8 million for year to date 2013 primarily as a result of an increase in sales volumes for scallops partially offset by a reduction in shrimp.

The increase in sales volumes for both sea and Argentine scallops was a result of an increase in overall demand. Higher sales prices from strong market demand for sea scallops contributed to the increase in sales.

Available supply for frozen-at-sea shrimp declined as a result of strong demand and higher sales price in other higher yielding markets.

Market demand for cooked and peeled shrimp slowed during the second and third quarter which partially offset the increase in sales for the region.

Finally, sales, which are primarily transacted in the Euro and the UK Pound, were positively impacted, as the Euro improved 6.0% relative to the Canadian dollar from 1.28 in 2012 to 1.35 in 2013, and the UK pound improved 1.3% from 1.57 in 2012 to 1.59 in 2013.

China

China is a growing market for clams, coldwater shrimp, lobster, turbot and scallops. China is our largest market segment in Asia.

Sales to customers in China increased $4.1 million, or 10.4%, to $43.1 million as a result of an increase in sales volumes for turbot and lobster. Strong demand and sales prices for shrimp also contributed to the increase in sales.

Weather related disruptions reduced the available supply for clams partially offsetting the increase in sales.

Chinese sales are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar during 2013 contributing to the increase in sales as average foreign exchange rates[2] for the US dollar increased by 2.5% to 1.03 in 2013.

Japan

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

Sales to customers in Japan declined 21.8% or $7.9 million primarily as a result of a lack of available supply for clams and shrimp. Lower catch rates for clams (from weather related disruptions) and timing of landings for shrimp contributed to the decline in available supply.

Average foreign exchange rates for the Yen declined during the year by 16.1% to 0.011 for 2013, contributing to the decline in sales.

Other Asia

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

Other Asian sales increased $0.9 million or 6.8% to $14.2 million in 2013 primarily as a result of the timing of landings for turbot. Increases in sales price for clams from a change in mix weighted towards products with higher prices contributed to the increase in sales.

Reductions in sales volumes for clams and shrimp as a result of a lack of available supply partially offset the increase in sales.

2 – Refer to risks and uncertainties

United States

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

Sales in the United States increased $16.3 million, or 37.8%, to $59.6 million primarily as a result of an increase in available supply as well as strong demand for both Argentine and sea scallops. A reduction in available supply for scallops from US scallop harvesters also contributed to improved sales volumes and price.

Lower sales prices for Argentine scallops was more than offset by the increase in sales volume.

Sales were also positively impacted by exchange rates as average foreign exchange rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 2.5% to 1.03 in 2013.

Canada

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

Sales within Canada increased $6.1 million, or 16.5% primarily as a result of an increase in market demand and higher sales prices for sea scallops and snow crab for 2013. Higher sales volumes for sea scallops also contributed to the increase in sales.

The increase in sales volumes for sea scallops were a result of higher landings and improved catch rates from Clearwater's automated shucking technology.

Sales by species*

In 000's of Canadian dollars 39 weeks ended		September 28 2013		September 29 2012		Change	%
Scallops*	$	101,638	$	75,799		25,839	34.1
Coldwater shrimp		53,940		58,037		(4,097)	(7.1)
Lobster		48,349		47,916		433	0.9
Clams		41,975		52,946		(10,971)	(20.7)
Crab		18,253		15,628		2,625	16.8
Ground fish and other		13,492		7,031		6,461	91.9
	$	277,647	$	257,357	$	20,290	7.9

*Refer to risks and uncertainties

Sales increased $20.3 million, or 7.9%, for year to date 2013 as a result of strong sales volumes for scallops, and turbot. Higher catch rates for scallops and timing of landings for turbot increased available supply. Strong market demand increased sales prices for sea scallops, snow crab and offshore lobster contributing to the increase in sales.

Lower catch rates for clams, timing of landings for shrimp as one vessel harvested turbot during the second quarter, and lower sales prices for Argentine scallops, partially offset the increase in sales for 2013.

Cost of Goods Sold

In 000's of Canadian dollars 39 weeks ended	September 28 2013	September 29 2012	Change	%
Harvesting and procurement	$ 146,639	$ 138,882	$ 7,757	5.6
Manufacturing	27,008	24,935	2,073	8.3
Freight, customs and other transport	17,278	15,812	1,466	9.3
Depreciation	16,572	15,903	669	4.2
Administrative	8,410	7,839	571	7.3
	$ 215,907	$ 203,371	$ 12,536	6.2

Cost of goods sold increased $12.5 million or 6.2% to $215.9 million primarily as a result of higher sales volumes, higher harvesting, and manufacturing costs including labour, and fuel.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear supplies, and other costs and fees plus procured raw material costs for species such as lobster, shrimp, scallops and crab. Excluding the increase in costs due to higher sales volumes, higher harvesting costs for clams from higher labour and fuel costs for the Canadian vessels and higher costs in Argentina from general rate increases, were partially offset by a decline in other costs per pound.

Fuel costs for our vessels increased $1.4 million for the 2013 to $18.6 million. The increase was a result of an increase in the litres consumed, partially offset by a decline in the average price per litre of fuel of $0.02. Clearwater's vessels used approximately 27.8 million litres of fuel in 2012. Based on 2012 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

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

Depreciation from assets used in the harvesting and production of goods increased $0.7 million to $16.6 million as a result of vessel refits and other additions that were completed during the second half of 2012 and in the first half of 2013.

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

Gross margin

Gross margin as a percentage of total sales improved from 21.0% in 2012 to 22.2% in 2013 due primarily to strong demand that provided higher sales prices for sea scallops, offshore shrimp, offshore lobster and snow crab. Higher catch rates for scallops increased available supply and contributed to the increase in margins.

A reduction in sales volumes for clams and shrimp from a lack of available supply at the beginning of 2013, and timing of landings for shrimp and lower catch rates for clams partially offset the increase in margins. In addition reductions in sales price for Argentine scallops and higher costs for labour and fuel partially offset the improvements in gross margin.

Margins were positively impacted by higher average foreign exchange rates[2]. Both the US dollar and the Euro strengthened against the Canadian dollar but were partially offset by lower rates for the Yen. The net impact on sales from all foreign exchange volatility was an increase in sales and gross margins of $2.3 million.

39 weeks ended	September 28, 2013		September 29, 2012		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	51.2%	1.027	46.2%	1.002	2.5%
Euros	19.7%	1.353	21.3%	1.277	6.0%
Japanese Yen	8.0%	0.011	13.5%	0.013	-16.1%
Danish Kroner	3.8%	0.180	4.4%	0.181	-0.8%
UK pounds	3.1%	1.594	2.8%	1.574	1.3%
Canadian dollar and other	14.2%		11.8%		
	100.0%		100.0%		

2 – Refer to risks and uncertainties for further information

Administration and selling

In 000's of Canadian dollars 39 weeks ended	September 28 2013	September 29 2012	Change	%
Salaries and benefits	$ 20,556	$ 19,656	$ 900	4.6
Share-based incentive compensation	2,948	772	2,176	281.9
Employee compensation	23,504	20,428	3,076	15.1
Consulting and professional fees	4,023	3,776	247	6.5
Other	2,825	3,136	(311)	(9.9)
Selling costs	1,782	1,284	498	38.8
Travel	1,609	1,431	178	12.4
Occupancy	1,021	1,019	2	0.2
Allocation to cost of goods sold	(9,054)	(8,303)	(751)	9.0
	$ 25,710	$ 22,771	$ 2,939	12.9

Administration and selling increased approximately $2.9 million, or 12.9%, to $25.7 million for year to date 2013 primarily as a result of an increase in employee compensation including share based incentive compensation.

Salaries and benefits increased $0.9 million from 2012 primarily due to increases in personnel and senior management.

Share-based incentive compensation increased $2.2 million from 2012 primarily due to increases in Clearwater's share price and to a lesser extent the issue of additional share based incentive units during the first quarter of 2013 for executives and directors.

Consulting and professional fees include operations management, legal, audit and accounting, insurance and other specialized consulting services. Costs vary year over year based upon business requirements.

Other include a variety of administrative expenses such as communication, computing, service fees, depreciation, gains or losses and write downs of assets, all of which will vary from year to year.

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

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

Finance costs

In 000's of Canadian dollars 39 weeks ended		September 28 2013		September 29 2012
Interest and bank charges	$	12,660	$	15,875
Amortization of deferred financing charges and accretion		798		801
Interest		13,458		16,676
Fair value adjustment on convertible debentures and embedded derivative		(701)		3,026
Foreign exchange and derivative contracts		7,996		(7,013)
Debt settlement and refinancing fees		9,316		6,198
	$	30,069	$	18,887

Interest declined $3.2 million for 2013 due to lower average interest rates as Clearwater had redeemed its 10.5% Class C convertible debentures in the third quarter of 2012, its 7.25% Class D convertible debentures in the third quarter of 2013 and replaced other higher cost debt facilities with new facilities that carry a lower average annual floating interest rate.

The **fair value adjustment on the convertible debentures** represents the change in value of the convertible debentures and varies depending on market conditions and interest rates. The reduction in the fair value adjustment for the 2013 primarily relates to the redemption of the 10.5% Class C convertible debentures that occurred in July 2012 and the redemption of the 7.25% Class D convertible debentures that occurred in July 2013. In addition the convertible debentures have traded from below face value two years ago to and above face value in 2012 and 2013.

2 – Refer to risks and uncertainties for further information

Foreign exchange and derivative contracts

In 000's of Canadian dollars 39 weeks ended		September 28 2013		September 29 2012
Realized loss (gain)				
Foreign exchange contracts and interest rate swap	$	1,321	$	(2,575)
Working capital, long-term debt, and other		6,035		2,167
		7,356		(408)
Unrealized loss (gain)				
Foreign exchange on long term debt and other assets		(2,471)		(4,639)
Mark-to-market on foreign exchange contracts		3,111		(1,966)
		640		(6,605)
	$	7,996	$	(7,013)

Foreign exchange and derivative (gains) losses[2] changed by $15.0 million from a gain of $7.0 million for year to date 2012 to a loss of $8.0 million for the same period in 2013. The foreign exchange loss for 2013 was primarily a result of $6.8 million in realized foreign exchange losses on the translation of the US dollar denominated debt that was settled June 2013, as the US dollar strengthened against the Canadian dollar in the first half of 2013.

Realized foreign exchange contracts were $1.3 million as the US dollar and the Euro strengthened against the Canadian dollar. Foreign exchange contracts are used as part of Clearwater's foreign exchange management program (refer the Liquidity section for further details). When spot exchanges 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, higher or lower spot exchange rates are reflected in sales, thereby partially offsetting any losses or gains on contracts. The purpose of these contracts is to give certainty to Clearwater on the exchange rates that it expects to receive on 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.

In addition unrealized foreign exchanges losses on foreign exchange contracts were $3.1 million for 2013, versus a gain of $2.0 million in the same period for 2012. Accounting standards require that any outstanding contracts be marked to market each reporting period. Although the Yen weakened against the Canadian dollar during the year, reducing the average spot rate on current outstanding contracts by 7.5% for 2014, the average spot rate for the year to date outstanding Yen contracts remained higher than average rates, increasing unrealized foreign exchange losses.

Unrealized gains on foreign exchange on long term debt of $2.5 million partially offset the increase in foreign exchange losses as US dollar weakened against the Canadian dollar in the third quarter of 2013 from 1.05 at June 2013 to 1.03 at September 2013. In June 2013, Clearwater increased the total amount of USD denominated debt from USD $124.0 million at June 30, 2012 to USD $200 million. Should the US dollar strengthen against the Canadian dollar, unrealized foreign exchange losses could occur.

Debt settlement and refinancing fees represent fees incurred for the settlement or refinancing of long term debt and will vary year to year depending on refinancing activities. Debt settlement and refinancing fees for 2013 include a $5.1 million non-cash charge related to financing charges incurred in 2012 that had been deferred and were being amortized and $4.2 million in refinancing fees incurred in 2013.

2 – Refer to risks and uncertainties

Other income

In 000's of Canadian dollars 39 weeks ended	September 28 2013	September 29 2012
Royalties, interest, and other fees	318	(963)
Share of earnings of equity-accounted investee	(1,554)	(1,153)
Other fees	(340)	(78)
	$ (1,576)	$ (2,194)

Royalties and fees and other includes income related to quota rental, commissions, processing fees and other miscellaneous income and expense that vary based upon the operations of the business. For 2013, royalties, interest and other fees include a non-recurring export rebate cost from the termination of a rebate program within Argentina.

As a result of the adoption of *IFRS 11 – Joint Arrangements*, effective January 1, 2013 a company that has certain scallop harvesting operations that was previously proportionately consolidated, is now accounted for using the equity method. There was no impact to earnings or adjusted EBITDA related the change in accounting.

Research and Development

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

Income taxes

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

In 2013, Clearwater recorded an additional deferred tax asset of $15.8 million related to unused tax losses carryforward that are expected to be utilized based upon estimated taxable earnings. In addition $5.7 million of the deferred tax asset was expensed in the third quarter.

Non-controlling interest

Non-controlling interest relates to earnings from Clearwater's investment in subsidiaries in Argentina, Nova Scotia and Newfoundland and Labrador.

Capital Structure

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

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

The amount of debt available to Clearwater is a function of earnings that can be impacted by known and unknown risks, uncertainties, and other factors outside Clearwater's control including, but not limited to, total allowable catch levels[1], selling prices, weather, exchange rates, fuel and other input costs.

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

Clearwater's capital structure is as follows as at September 28, 2013 and December 31, 2012:

In 000's of Canadian dollars As at	September 28 2013	December 31 2012
Equity		
Common shares	$ 64,780	$ 64,867
Retained earnings	24,138	14,616
Cumulative translation account	(4,637)	(3,866)
	84,281	75,617
Non-controlling interest	29,358	30,904
	113,639	106,521
Long term debt		
Subordinated debt		
2014 convertible debentures	-	44,722
	-	44,722
Senior debt, non-amortizing		
Term loan, due in 2014	10,324	-
Term loan, due in 2091	3,500	3,500
	13,824	3,500
Senior debt, amortizing		
Term Loan A, due 2018	30,000	-
Delayed Draw term Loan A, due 2018 (net of deferred financing charges of $0.6 million)	(608)	-
Term Loan B, due 2019 (including embedded derivative)	206,960	-
Marine mortgage, due in 2017	1,780	2,697
Other loans	420	627
Term Loan A, repaid in June 2013	-	72,259
Term Loan B, (including embedded derivative), repaid in June 2013	-	129,986
	238,552	205,569
Total long term debt	252,376	253,791
Total capital	$ 366,015	$ 360,312

There are 50,948,698 shares outstanding as of September 28, 2013 (December 31, 2012 - 50,948,698).

On June 26, 2013, Clearwater completed $350.0 million refinancing to further enhance and strengthen its capital structure and liquidity and provide for investment in a new vessel for clam harvesting operations. The refinancing reduces Clearwater's annual interest costs by 1.75 percentage points to 4.75% or approximately $2.6 million.

The refinancing included the redemption and repayment 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;
- Canadian $69.7 million in existing term debt;
- USD $126.0 million in existing term debt; and
- existing asset based revolving credit facility.

Long term debt consists of non-amortizing and amortizing senior debt.

Clearwater has several amortizing senior debt facilities including:

- Term loan A due June 2018,
- Term loan B due June 2019,
- Delayed Term Loan draw due June 2018,
- Revolving loan due June 2018, and
- A marine mortgage that matures in June 2017.

The revolving loan allows Clearwater to borrow a maximum of CDN $75.0 million and it matures in June 2018. It was denominated in CDN $nil million at September 28, 2013 and (December 31, 2012 - $nil) and USD $nil at September 28, 2013 (December 31, 2012 - $nil) and maturing in June 2018. The CDN balances bear interest at the banker's acceptance rate plus 3.25%. The USD balances bear interest at the US Libor rate plus 3.25%. The loan has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of CDN $25.0 million.

The term loan A has principal outstanding as at September 28, 2013 of CDN $30.0 million. The loan is repayable in quarterly instalments of $0.2 million to June 2015, $0.4 million from September 2015 to June 2017, and $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at September 28, 2013 this resulted in an effective rate of approximately 4.45%.

The delayed draw term loan A has a principal outstanding as at September 28, 2013 of CDN $nil and can be drawn upon any time up to December 26, 2014. The balance is shown net of deferred financing charges of CDN $0.6 million. The loan is repayable in quarterly instalments of 1.25% of the principal amount drawn under the facility with repayment to begin in the first quarter after the facility is fully drawn or closed out. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%.

The principal outstanding on the term loan B as at September 28, 2013 was USD $200 million. The loan is repayable in quarterly instalments of USD $0.5 million with the balance due at maturity in June 2019 and bears interest payable monthly at the US

Libor plus 3.5% with a Libor interest rate floor of 1.25%. As of September 28, 2013 this resulted in an effective rate of 4.75%. The loan has a provision that, subject to certain conditions allows Clearwater to expand the facility by a maximum of USD $100.0 million. The embedded derivative represents the fair market value of the Libor interest rate floor of 1.25%. The change in fair market value of the embedded derivative is recorded through profit or loss.

During the third quarter of 2013 Clearwater's Argentine subsidiary borrowed USD $10 million to fund conversion of a vessel for use in the Argentine scallop fishery. This loans bears interest at 6% per year with interest payable monthly and the principal due at maturity in 2014.

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

Clearwater's debt facilities have covenants that include, but are not limited to, a leverage ratio (for which debt, net of certain cash balances, is compared to EBITDA, excluding most significant non-cash and non-recurring items)as well as a number of non-financial covenants. Clearwater is in compliance with all non-financial and financial covenants associated with its debt facilities.

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

Liquidity

Over the past several years Clearwater has formalized a number of its treasury management policies and goals so as to promote strong liquidity and continued access to capital to fund its growth.

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

Management continuously evaluates its capital structure in light of these policies and strategies and a summary of the results of its most recent evaluation is as follows:

- **Liquidity[2]** - As of September 28, 2013 Clearwater had $15.5 million in cash, and a $75 million revolving loan, of which all amounts were undrawn. The cash balance, together with available credit on the revolving loan, is used to manage seasonal working capital demands, capital expenditures, and other commitments. Clearwater's operations experience a predictable seasonal pattern in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in capital expenditures and working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year. This typically results in lower free cash flow, higher debt balances and higher leverage in the first half of the year.

- **Free cash flows** - Clearwater has a goal to generate strong cash flows from operations in order to fund interest, scheduled loan payments and capital expenditures and in turn to use this free cash flow to reduce debt, and to invest in growth investments. Clearwater's goal is to grow free cash flows such that it can fund growth, reduce debt and pay a sustainable dividend to its shareholders.

Free cash flows	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012	12 month Rolling September 28, 2013	12 month Rolling September 29, 2012
Adjusted EBITDA	28,901	25,746	56,756	53,431	75,568	69,546
Less:						
Cash interest	(3,758)	(4,784)	(12,660)	(15,875)	(17,131)	(21,132)
Cash taxes	(528)	(106)	(1,531)	(1,238)	(1,984)	(2,292)
Other income and expense items	(1,057)	(4,346)	(1,391)	(10,907)	(2,918)	(15,732)
Operating cash flow before changes in working capital	**23,558**	**16,510**	**41,173**	**25,411**	**53,535**	**30,390**
Change in working capital	(4,693)	(1,154)	(35,262)	(24,150)	(2,930)	(9,545)
Cash flows from operating activities	**18,865**	**15,356**	**5,911**	**1,261**	**50,605**	**20,845**
Uses of cash:						
Purchase of property, plant, equipment, quota and other assets	(5,731)	(1,200)	(12,630)	(12,352)	(16,851)	(14,457)
Disposal of fixed assets	23	-	978	-	978	-
Less: Designated borrowings	1,469	-	1,469	2,056	1,469	2,056
Scheduled payments on long-term debt	(24)	(28)	(1,867)	(4,709)	(3,495)	(4,723)
Dividends received from joint venture	-	-	1,240	-	2,980	-
Distributions to non-controlling interests	(3,244)	(1,177)	(7,707)	(6,711)	(10,487)	(9,038)
Free cash flows	**11,359**	**12,951**	**(12,605)**	**(20,455)**	**25,199**	**(5,317)**
Add/(less):						
Other debt borrowings (repayments) of debt	(14,287)	(8,946)	(13,253)	24,192	(23,851)	10,328
Other investing activities	(238)	1,058	(331)	1,818	(790)	664
Other financing activities	-	-	-	-	-	(30)
Change in cash flows for the period	(3,166)	5,063	(26,189)	5,555	558	5,645

1 - Refer to definitions
2 – Refer to risks and uncertainties

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

Free cash flow for the rolling 12 month period ending September 28, 2013 increased by $30.5 million to $25.2 million from the same period in 2012 as a result of improvements in cash flows from operating activities. Improvements were a result of strong demand for the majority of core species contributing to higher prices and sales volumes. In addition lower interest costs and a reduction in the use of working capital contributed to the improvement in free cash flow.

Higher capital expenditures (net of designated borrowings) and distributions to non-controlling interests were offset by timing of dividends received from joint venture and scheduled payments on long term debt.

In addition certain large investments in longer term assets, for example vessel conversion/acquisitions, are funded with long term capital such as amoritizing term loans. As a result Clearwater does not deduct such capital expenditures in the determination of free cash flows but rather deducts the related debt payments.

Changes in working capital

In 000's of Canadian dollars	13 weeks ended September 28 2013	13 weeks ended September 29 2012	39 weeks ended September 28 2013	39 weeks ended September 29 2012
Decreases (increases) in inventory	436	7,154	(15,310)	(6,571)
Increase (decreases) in accounts payable	1,224	(4,793)	(4,792)	(9,077)
Increases in accounts receivable	(6,253)	(3,276)	(16,846)	(6,647)
(Increases) decrease in prepaids	(100)	(239)	1,686	(1,855)
	$ (4,693)	$ (1,154)	$ (35,262)	$ (24,150)

For the year to date 2013, the net investment in working capital increased $11.1 million to $35.3 million, from the same period in 2012, primarily as a result of higher catch rates for scallops and the timing of sales and a related increase in account receivable.

Investments in capital expenditures in 2013 of $12.6 million primarily resulted from planned vessel refits and conversions.

From free cash flows Clearwater makes a number of discretionary payments or creates additional cash flows including repayments and draws on its revolving debt facility and discretionary financing and investing activities (such as payments under normal course issuer bids, sales of non-core assets, etc).

Clearwater is focused on managing its free cash flows through:

- Managing working capital - Clearwater manages its investment in trade receivables through a combination of tight collection terms and when appropriate, discounting. Clearwater limits its investment in inventories through tight review of any slow moving items, regular review and through continuous improvements in the integration of its fleet and sales force.

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

  On average, Clearwater expects to invest $15-20 million a year in maintaining its fixed assets with a further $10-15 million of repairs and maintenance expensed and included in the cost of goods sold. In 2013 it expects to invest approximately $33.7 million in capital assets excluding repairs and maintenance, of which $22.0 million relates to maintenance capital investments, $6.6 million to a planned new investment in a clam vessel and $5.1 million relates to various investments to improve operational efficiencies.

In June 2013 the Company announced the planned investment in a third vessel for its clam business. This investment is estimated at $45 million. A suitable hull has been sourced and a yard is being commissioned to to commence the work in the first quarter of 2014. Management expects to complete conversion work over a period of 18 months and enter the new vessel into service in 2015.

This investment 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, at which time Clearwater expects to earn incremental gross margins of approximately $8 million per year.

Leverage – As of September 28, 2013 leverage decreased to 3.1x adjusted EBITDA from 3.6x as of September 29, 2012. During the second quarter of 2013 Clearwater successfully completed a refinancing of substantially all of its senior debt facilities. The new capital structure provides financing for $45 million investment in a new vessel for the Company's clam harvesting operations, reduces the overall cost of debt and annual interest costs by 1.75 percentage points to 4.75% or approximately $2.6 million per year, further enhances liquidity through the use of a revolving debt facility that is not limited by a borrowing base and provides full availability through the fiscal period of the full amount of the $75 million facility and allowed for the early redemption of 7.25% convertible debentures.

Although this financing and the investment in a third clam vessel will result in an increase in total leverage for the next 2 years, management remains committed to a long-term leverage goal of 3x adjusted EBITDA or lower.

In 000's of Canadian dollars	September 28 2013	December 31 2012	September 29 2012
Adjusted EBITDA[1]	$ 75,568	$ 72,243	$ 69,546
Debt (net of deferred financing charges of $0.6 million (December 31, 2012 - $4.4 million) (September 29, 2012 - $4.7 million))	252,376	253,791	264,427
Less cash	(15,502)	(41,504)	(14,771)
Net debt	236,874	212,287	249,656
Leverage	3.1	2.9	3.6

1 – Refer to the definition of adjusted EBITDA and leverage

- **Foreign Exchange Management** – Strengthening foreign exchange rates for US dollar and the Euro against the Canadian dollar resulting in an increase in sales and gross margins of $6.5 million for year to date 2013. Lower average foreign exchange rates for the Yen partially offset the improvement in foreign exchange. The net impact from foreign exchange was an improvement of sales and gross margin of $2.3 million for the year 2013.

  Clearwater's response to foreign exchange risk is as follows:

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

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

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

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

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

As of November 1, 2013 Clearwater had forward exchange contracts to be settled in 2013 of:

- US dollar $33.5 million at an average rate of 0.986;
- 0.7 billion Yen at an average rate of .013; and
- 11.0 million Euro at an average rate of 1.25.

The US dollar forwards include US dollars $27.0 million of participating forwards which provide that to the extent spot rates are higher than the contracted rates, the contract rate will be adjusted by approximately 33% to 50.0% of the excess.

In addition Clearwater had forward exchange contracts to be settled in 2014 of:

- US dollar $5.0 million at an average rate of 0.984
- 2.7 billion Yen at an average rate of .011; and
- 52.0 million Euro at an average rate of 1.37

As a result of its continued focus on increasing gross margin and managing its investments in working capital and capital assets, Clearwater believes that it has sufficient financial resources to execute on its strategy and business plan.

EXPLANATION OF THIRD QUARTER EARNINGS

Overview

The statements of earnings reflect the earnings of Clearwater for the 13 weeks ended September 28, 2013 and September 29, 2012.

In 000's of Canadian dollars	September 28 2013	September 29 2012
Sales	$ 113,982	$ 101,553
Cost of goods sold	82,407	77,196
Gross margin	31,575	24,357
	27.7%	*24.0%*
Administrative and selling	9,295	7,294
Finance costs	2,516	(1,112)
Other income	(1,217)	(596)
Research and development	302	511
	10,896	6,097
Earnings before income taxes	20,679	18,260
Income tax (recovery) expense	(6,545)	642
Earnings	$ 27,224	$ 17,618
Earnings attributable to:		
Non-controlling interests	$ 2,557	$ 2,448
Shareholders of Clearwater	24,667	15,170
	$ 27,224	$ 17,618

Third Quarter Earnings

Clearwater reported strong results for the third quarter of 2013 that included sales of $114.0 million and adjusted EBITDA[1] of $28.9 million versus 2012 comparative figures of $101.6 million and $25.7 million, respectively.

In addition, results included gross margins of 27.7% an improvement of 3.7 percentage points from 24.0% realized in the third quarter of 2012 due primarily to a strong market demand that improved sales prices for the majority of species. Margins were partially offset by higher clam and scallop harvest costs. An increase in sales volumes for scallops, lobster and turbot contributed to the increase in total gross margin dollars of $7.2 million to $31.6 million for the third quarter of 2013.

For the third quarter of 2013, excluding non-operational items of $2.6 million (refer to the following table), net earnings improved by $7.0 million, primarily due to higher gross margins of $7.2 million and lower interest expense $1.2 million, offset partially by higher selling, general and administrative expenses. Including these non-operational items the net earnings increased by $9.6 million to $27.2 million.

Non-operational items included realized foreign exchange losses from the US dollar and Euro strengthening against the Canadian dollar, offset partially by unrealized foreign exchange gains on the translation of the US dollar denominated long term debt, and an increase in deferred income tax assets.

In 000's of Canadian dollars 13 weeks ended	September 28 2013	September 29 2012	Change
Net earnings	$ 27,224	$ 17,618	$ 9,606
Explanation of changes in earnings related to operational items:			
Higher gross margin			7,218
Higher administrative and selling			(2,001)
Lower interest expense			1,187
Higher other income			621
			7,025
Explanation of changes in earnings related to non-operational items:			
Higher deferred income tax asset			7,187
Higher realized foreign exchange losses			(2,805)
Lower unrealized foreign exchange gains			(1,355)
			3,027
All other			(446)
			$ 9,606

1 – Refer to the definition of adjusted EBITDA and leverage

Sales by region

In 000's of Canadian dollars 13 weeks ended	September 28 2013	September 29 2012	Change	%
United States	24,717	15,240	9,477	62.2
Canada	19,709	19,303	406	2.1
North America	44,426	34,543	9,883	28.6
China	20,712	15,273	5,439	35.6
Japan	9,656	12,786	(3,130)	(24.5)
Other Asia	6,947	4,398	2,549	58.0
Asia	37,315	32,457	4,858	15.0
Europe	$ 31,557	$ 33,874	$ (2,317)	(6.8)
Other	684	679	5	0.7
	$ 113,982	$ 101,553	$ 12,429	12.2

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

European sales declined $2.3 million to $31.6 million in the third quarter of 2013 from a reduction of available supply in shrimp. Strong market demand for frozen-at-sea shrimp in other higher yielding markets reduced the available supply of inventory within the region. Reductions in sales prices for shrimp from changes in mix weighted towards products with lower margins contributed to the decline in sales for the region.

In addition market demand for cooked and peeled shrimp continued to be slow during the third quarter.

Strong market demand during the third quarter increased both sales volumes and price for sea scallops, partially offsetting the decline in sales.

Foreign exchange rates[2] for sales to Europe, which are primarily transacted in Euros and UK Pounds, increased during the quarter as the Euro improved 10.5% relative to the Canadian dollar from 1.25 in the third quarter of 2012 to 1.38 in 2013, and the UK Pound improved 2.6% to 1.61 over the same period.

2 – Refer to risks and uncertainties for further information

Asia

China

China is a growing market for clams, coldwater shrimp, lobster and turbot.

Sales to China increased $5.4 million, or 35.6%, to $20.7 million for the third quarter primarily as result of strong market demand and higher sales prices for shrimp. Increases in sales prices for lobster from changes in mix weighted towards products with higher margins contributed to the increase in sales for the region.

Chinese sales are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar improving sales. Average foreign exchange rates for the US dollar increased by 4.1% from 1.00 in the third quarter of 2012 to 1.04 in 2013.

Japan

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

Sales to Japan declined $3.1 million, to $9.7 million primarily from reductions in foreign exchange as the Yen weakened against the Canadian dollar, by 16.7% to 0.011. Sales were also impacted by lower volumes as higher yielding markets reduced available supply for clams, shrimp and turbot for the Japanese market.

In addition a lack of available supply at the beginning of 2013 for clams and shrimp, lower catch rates (from weather related disruptions) during 2013 for clams, and timing of landings for shrimp contributed to the decline sales.

United States

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

Sales in the United States increased by $9.5 million, to $24.7 million in the third quarter as a result of an increase in sales volumes for scallops, shrimp and lobster.

The increase in sales volumes for sea scallops were a result of strong catch rates for 2013 and demand. A reduction in available supply of scallops from the US harvesters improved sales volumes and price. Increases in sales price from strong demand for snow crab also contributed to the increase in sales.

Reductions in sales price for Argentine scallops and cooked and peeled shrimp and timing of sales for snow crab partially offset the increase in sales.

For the third quarter, the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 4.1% from 1.00 in the third quarter of 2012 to 1.04 in 2013.

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

Sales within Canada increased $0.4 million, or 2.1% primarily as a result of an increase in market demand and sales price for sea scallops and snow crab for 2013. Reductions in sales volumes for lobster, and snow crab from the timing of procurement partially offset the increase in sales.

Sales by species

In 000's of Canadian dollars 13 weeks ended		September 28 2013		September 29 2012		Change	%
Scallops*	$	42,343	$	30,387		11,956	39.3
Coldwater shrimp		19,548		19,438		110	0.6
Lobster		18,484		17,264		1,220	7.1
Clams		17,780		19,182		(1,402)	(7.3)
Crab		9,257		9,585		(328)	(3.4)
Ground fish and other		6,570		5,697		873	15.3
	$	113,982	$	101,553	$	12,429	12.2

*Refer to risks and uncertainties

Improvements in sales were a result of increases in sales volumes for scallops and higher sales prices for the majority of species. In addition foreign exchange positively impacted sales as the US dollar, Euro and UK pound strengthened against the Canadian dollar.

This increase in sales was partially offset by lower available supply volumes for shrimp from the timing of landings and from lower catch rates for clams.

Cost of Goods Sold

In 000's of Canadian dollars 13 weeks ended		September 28 2013		September 29 2012		Change	%
Harvesting and procurement	$	57,197	$	54,220	$	2,977	5.5
Manufacturing		10,344		9,375		969	10.3
Freight, customs and other transport		6,994		5,665		1,329	23.5
Depreciation		5,376		5,285		91	1.7
Administrative		2,496		2,651		(155)	(5.8)
	$	82,407	$	77,196	$	5,211	6.8

Cost of goods sold increased $5.2 million or 6.8% to $82.4 million primarily as a result of higher sales volumes, higher harvesting costs for clams and scallops, higher labour, freight and other transportation costs.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear supplies, and other costs and fees plus procured raw material costs for species such as lobster, shrimp, scallops and crab. Excluding the impact of higher sales volumes, harvesting costs per pound for both clams and scallops increased as a result of higher labour and fuel costs. In addition higher harvesting costs for clams resulted from poor weather conditions in the first half of 2013.

Fuel costs for our vessels increased $0.4 million from $6.0 million in the third quarter of 2012 to $6.4 million in the third quarter of 2013. This increase was a result of an increase in litres consumed and an average increase in fuel costs of $0.01 per litre.

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

Gross margin

Gross margins as a percentage of total sales improved, 3.7 percentage points from 24.0% in the third quarter of 2012 to 27.7% in 2013 due primarily to a strong market demand that improved sales prices for the majority of species.

An increase in sales volumes for scallops, lobster and turbot contributed to the increase in total gross margin dollars of $7.2 million to $31.6 million for the third quarter of 2013. Increases in sales volumes was a result of higher catch rates and strong demand for scallops, timing of landings for turbot and higher demand for lobster.

Higher harvesting costs for clams, scallops and shrimp including labour and fuel partially offset the improvement in gross margin.

Margins were positively impacted by higher average foreign exchange rates[2] for the US dollar and Euro, partially offset by lower foreign exchange rates for the Yen. The net impact on sales from all foreign exchange volatility was an increase in sales and gross margins of $3.2 million.

13 weeks ended	September 28, 2013		September 29, 2012		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	53.9%	1.037	46.2%	0.997	4.1%
Euros	19.1%	1.378	22.9%	1.247	10.5%
Japanese Yen	7.2%	0.011	12.1%	0.013	-16.7%
Danish Kroner	2.1%	0.184	2.9%	0.166	10.8%
UK pounds	4.2%	1.614	2.4%	1.574	2.6%
Canadian dollar and other	13.5%		13.5%		
	100.0%		100.0%		

2 – Refer to risks and uncertainties for further information

Administration and selling

In 000's of Canadian dollars 13 weeks ended	September 28 2013	September 29 2012	Change	%
Salaries and benefits	$ 7,029	$ 6,347	$ 682	10.7
Share-based incentive compensation	1,097	620	477	76.9
Employee compensation	8,126	6,967	1,159	16.6
Consulting and professional fees	1,532	1,217	315	25.9
Other	1,418	812	606	74.6
Selling costs	616	480	136	28.3
Travel	376	401	(25)	(6.2)
Occupancy	357	322	35	10.9
Allocation to cost of goods sold	(3,130)	(2,905)	(225)	7.7
	$ 9,295	$ 7,294	$ 2,001	27.4

Administration and selling costs increased $2.0 million from $7.3 million to $9.3 million in the third quarter of 2013 versus the same period in 2012. This was due to higher employee compensation costs including share based incentive compensation.

Salaries and benefits increased $0.7 million from 2012 primarily due to increases in personnel and senior management.

Share-based incentive compensation increased $0.5 million from the third quarter of 2012 due to primarily to increases in Clearwater's share price and to a lesser extent the issue of additional share based incentive units during the first quarter of 2013 for executives and directors.

Other include a variety of administrative expenses such as communication, computing, service fees, depreciation, gains or losses and write downs of assets, all of which will vary from year to year. The increase of $0.6 million was primarily a result of a write down on factory equipment in the third quarter of 2013.

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

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

Finance costs

In 000's of Canadian dollars 13 weeks ended	September 28 2013	September 29 2012
Interest and bank charges	$ 3,758	$ 4,784
Amortization of deferred financing charges and accretion	179	340
Interest	3,937	5,124
Fair value adjustment on convertible debentures and embed	682	26
Foreign exchange and derivative contracts	(2,103)	(6,263)
Debt settlement and refinancing fees	-	1
	$ 2,516	$ (1,112)

Interest declined $1.2 million for the third quarter as Clearwater replaced other higher cost debt facilities with new facilities that carry a lower average annual interest rate.

Foreign exchange and derivative contracts

In 000's of Canadian dollars 13 weeks ended	September 28 2013	September 29 2012
Realized loss (gain)		
Foreign exchange contracts and interest rate swap	$ 1,950	$ (1,817)
Working capital, long-term debt, and other	250	1,212
	2,200	(605)
Unrealized (gain)		
Foreign exchange on long term debt and other assets	(3,334)	(4,583)
Mark-to-market on foreign exchange contracts	(969)	(1,075)
	(4,303)	(5,658)
	$ (2,103)	$ (6,263)

Foreign exchange and derivative contracts[2] gains declined by $4.2 million from $6.3 million in the third quarter of 2012 to $2.1 million in 2013. The gain for the third quarter of 2013 was a result of $3.3 million in unrealized foreign exchange gains on the translation of the US dollar denominated debt as the US dollar weakened against the Canadian dollar from 1.05 at June 2013 to 1.03 at September 2013. In June 2013, Clearwater increased the total amount of USD denominated debt from USD $124.0 million at June 30, 2012 to USD $200 million. Should the US dollar strengthen against the Canadian dollar, unrealized foreign exchange losses could occur.

Realized foreign exchange losses of $2.0 million were a result of strengthening foreign exchange rates for the US dollar and the Euro against the Canadian dollar.

2 – Refer to risks and uncertainties for further information

Other income

In 000's of Canadian dollars 13 weeks ended		September 28 2013		September 29 2012
Royalties, interest, and other fees		44		(287)
Share of earnings of equity-accounted investee		(1,120)		(838)
Other fees		(141)		529
	$	(1,217)	$	(596)

Royalties and fees and other includes income related to quota rental, commissions, processing fees and other miscellaneous income and expense that varies based upon the operations of the business. For 2013, royalties, interest and other fees include a non-recurring export rebate from the termination of a rebate program within Argentina.

As a result of the adoption of *IFRS 11 – Joint Arrangements*, effective January 1, 2013 a company that has certain scallop harvesting operations that was previously proportionately consolidated, is now accounted for using the equity method. There was no impact to earnings or adjusted EBITDA related the change in accounting.

Research and Development

Research and development relates to new technology and research into ocean habitats and fishing grounds. Research and development can vary year to year depending on the scope, timing and volume of research completed. Clearwater's business plans call for increased investment in research and development in 2013 and subsequent years.

Income taxes

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

For the third quarter of 2013, Clearwater recorded an additional deferred tax asset of $12.5 million related to unused tax loss carryforwards that are expected to be utilized based upon estimated taxable earnings. In addition $5.7 million of the deferred tax asset was expensed in the third quarter.

Non-controlling interest

Non-controlling interest relates to earnings from Clearwater's investment in subsidiaries in Argentina, Nova Scotia and Newfoundland and Labrador.

OUTLOOK

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

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

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

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

Management is pleased with the progress made in the third quarter and year-to-date periods and expects the Company to hit its annual targets for 2013.

Market demand for our products is strong and has contributed to improvements in revenue and free cash flow. As we continue to invest in our business and increase our access to supply, we expect to continue to deliver sustainable and profitable growth in 2014 and beyond.

Annual Targets for 2013

Management remains focused on six key initiatives to create shareholder value.

1. Sustainably growing adjusted EBITDA and sales - Clearwater has experienced continued growth in rolling twelve month adjusted EBITDA and sales by controlling costs and improving productivity, product mix and prices.

   Clearwater will continue to lever its vertical integration to maximize value per pound in existing segments and to capture a growing share of the seafood value chain through the introduction of value-added new products in certain core species.

   Management expects that the trend of earnings growth to continue in 2013 despite lower available supply of inventories to start the year and difficult weather conditions for harvesting in the first half of the year. During the summer months Clearwater realized improved harvesting conditions and this combined with strong demand, is leading to stronger sales, margins and adjusted EBITDA in the second half of 2013 enabling Clearwater to continue the trend of growth in 2013.

In June 2013 the Company announced the planned investment in a third vessel for its' clam business.

This investment is estimated at $45 million. A vessel with suitable size hull and power configuration has been sourced and a yard is being commissioned to commence vessel conversion in the first quarter of 2014. Management expects to complete conversion work over a period of 18 months and enter the new vessel into service in 2015.

This investment will drive growth in Clearwater's clam business by expanding access to clam supply by approximately 60% by 2017, at which time Clearwater expects to earn incremental contribution margins of approximately $8 million per year.

2. Generating strong free cash flows– Clearwater is focused on increasing free cash flows through generating strong cash earnings, managing its working capital and carefully planning and managing its capital expenditure program. Seasonality results in lower free cash flows higher debt balances and higher leverage in the first half of the year and higher free cash flows, lower debt balances and lower leverage levels in the second half of the year.

   In addition certain large investments in longer term assets, for example vessel conversion/acquisitions, are funded with long term capital such as amoritizing term loans. As a result Clearwater does not deduct such capital expenditures in the determination of free cash flows but rather deducts the related debt payments.

   Free cash flow for the rolling 12 month period ending September 28, 2013 increased by $30.5 million to $25.2 million as compared to the same period in 2012 as a result of improvements in cash flows from operations. Improvements were a result of strong demand for the majority of species contributing to higher prices and sales volumes. In addition lower interest costs and a reduction in the use of working capital contributed to the improvement in free cash flow.

3. Improving the capital structure - During the second quarter of 2013 Clearwater successfully completed a refinancing of substantially all of its senior debt facilities. The new capital structure provides financing for $45 million investment in a new vessel for the Company's clam harvesting operations, reduces the overall cost of debt and annual interest costs by 1.75 percentage points to 4.75% or approximately $2.6 million per year, further enhances liquidity through the use of a revolving debt facility that is not limited by a borrowing base and provides full availability through the fiscal period of the full amount of the $75 million facility and allowed for the early redemption of 7.25% convertible debentures

As of September 28, 2013 leverage decreased to 3.1x adjusted EBITDA from 3.6x as of September 29, 2012.

Although this financing and the previously mentioned investment in a third clam vessel will result in an increase in total leverage for the next 2 years, management remains committed to a long-term leverage goal of 3x or lower.

4. Focused management of foreign exchange - Clearwater has a focused and targeted foreign exchange hedging program to reduce the impact of short-term volatility in exchange rates on earnings. This, combined with stronger processes for price management reduces the impact of exchange rate volatility on the business. Clearwater has approximately 73% of its estimated US Dollar, Euro and Yen exposures for 2013 hedged at rates of 0.986, 1.25 and 0.012 respectively and approximately 33% of its estimated US Dollar, Euro and Yen exposures for 2014 hedged at rates of 0.984, 1.37 and 0.011 respectively.

5. Building world class leadership, management, sales and marketing capabilities - Clearwater has begun implementing best in class programs for key account management, new product development, sales and operations planning, recruitment and compensation practices. In addition, over the past two years Clearwater has added a number of new people to its senior management team and its' Board of Directors and is implementing a more robust ERP system to provide enhanced business information to support management decision making.

6. Communicating underlying asset values - Clearwater has an industry-leading portfolio of quotas that provide strong security of underlying value to lenders and investors. In 2012 an independent appraisal placed a value on these quotas of $453 million. Clearwater obtained further independent support for the value in these licenses in the third quarter of 2012 when the Arctic surf clam fishery received the Marine Stewardship Council (MSC) certification. These species join the Clearwater family of MSC-certified sustainable seafood offerings including Canadian sea scallops, Argentine scallops, Canadian coldwater shrimp and Eastern Canadian offshore lobster. Clearwater now boasts a total of seven species certified sustainable by the MSC, completing the certification of all its core products, and giving the Company the widest selection of MSC-certified species of any seafood harvester worldwide.

Management believes that it has the correct strategies and focus to provide sustainable competitive advantage and long-term growth. These strategies include:

1. Expanding access to supply;
2. Targeting profitable and growing markets, channels and customers;
3. Innovating and positioning our products to deliver superior customer satisfaction and value;
4. Increasing margins by improving price realization and cost management;

5. Preserving the long-term sustainability of our resources; and
6. Improving our organizational capability and capacity, talent, diversity and engagement

Management also believes that it has the people, processes and financial resources to execute these strategies and create value for its shareholders. This includes the capacity to execute Clearwater's five year strategic plan. This plan, developed and initiated in 2012, has the stated aim to achieve $500.0 million in sales and $100.0 million in adjusted EBITDA by the end of 2016 or earlier.

RISKS AND UNCERTAINTIES

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

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 2012 approximately 45.4% of Clearwater's sales were denominated in US dollars. Based on 2012 sales, a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.6 million change in sales and gross profit. Approximately 22.1% of 2012 sales were denominated in Euros, based on 2012 sales, a change of

0.01 in the Euro rate as converted to Canadian dollars would result in a $0.6 million change in sales and gross profit. Also, 12.5% of sales in 2012 were denominated in Japanese Yen, based on 2012 annual sales, a change of 0.0001 in the Yen rate as converted to Canadian dollars would result in a change of $0.4 million in sales and gross profit.

As of November 1, 2013 Clearwater had approximately 73% of its US Dollar, Euro and Yen exposures for 2013 hedged at rates of 0.986, 1.25 and 0.013 respectively.

A foreign exchange hedging program provides short-term risk management for foreign exchange risk. Strengthening of the Canadian dollar relative to the currencies of our sales markets will result in lower sales prices and receipts when converted into Canadian dollars and will have an adverse impact on our profitability to the extent we are not able to adjust prices and costs to offset this variability.

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.

For a period of time during 2012 Clearwater was unable to repatriate dividends from Argentina.

However, Clearwater received approvals and paid approximately $4.8 million in dividends in December 2012 and has since paid dividends of approximately $12.0 million Canadian year-to-date 2013. 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**.**

Resource supply risk

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

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

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

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

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, 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 was 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 November 1, 2013 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. See the Capital structure and liquidity sections for further information.

Other risks

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

CRITICAL ACCOUNTING POLICIES

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

Financial Reporting Controls and Procedures

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2012 and have concluded that such procedures are adequate and effective to provide reasonable assurance that material information relating to Clearwater and its consolidated subsidiaries would be made known to them by others within those entities to allow for accurate and complete disclosures in annual filings.

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

Management evaluated the design and effectiveness of Clearwater's internal controls over financial reporting as at December 31, 2012. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (1992)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the CEO and the CFO have concluded that, as at December 31, 2012, Clearwater's internal controls over financial reporting are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

There have been no significant changes in Clearwater's internal controls over financial reporting or other factors that occurred during the period from June 29, 2013 to September 28, 2013, that have materially affected, or are reasonably likely to materially affect the Company's internal controls over financial reporting.

Adoption of new and revised standards

The following IFRS standards have been recently issued by the IASB: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and IFRS 13 Fair Value Measurement Arrangements that have an effective date for annual periods beginning on or after January 1, 2013. In addition IFRS 9 Financial Instruments has an effective date for annual periods beginning on or after January 1, 2015.

As a result of the adoption of *IFRS 11 – Joint Arrangements*, effective January 1, 2013 a company that has certain scallop harvesting operations that was previously proportionately consolidated, is now accounted for using the equity method. There was no impact to earnings or adjusted EBITDA related the change in accounting. All other standards effective January 1, 2013, have been assessed to have no significant effect on the current consolidated financial statements. Refer to Clearwater's first quarter 2013 financial statements for additional information.

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2013				
Sales	$ 68,297	$ 95,368	$113,982	-
Earnings (loss)	(1,762)	(9,866)	27,224	-
Earnings (loss) per share ("EPS")	(0.06)	(0.24)	0.48	-
Diluted earnings (loss) per share[2]	(0.06)	(0.24)	0.47	-
Fiscal 2012				
Sales	$ 70,884	$ 84,966	$101,640	$ 92,957
Earnings (loss)	(2,927)	(2,505)	17,618	10,518
Earnings (loss) per share ("EPS")	(0.09)	(0.08)	0.30	0.17
Diluted earnings (loss) per share[2]	(0.09)	(0.08)	0.27	0.15
Fiscal 2011				
Sales	$ 69,235	$ 78,820	$ 97,590	$ 87,140
Earnings (loss)	1,832	(327)	5,058	16,390
Earnings (loss) per share ("EPS")[1]	0.01	(0.02)	0.05	0.28
Diluted earnings (loss) per share[2]	0.01	(0.02)	0.05	0.23

1 – On October 2, 2011, Clearwater Seafoods Income Fund (“the Fund”) was reorganized into a publicly traded corporation, “Clearwater Seafoods Incorporated”, (“Clearwater”). The 2011 comparative results have been adjusted to reflect the conversion of the Fund to the corporation to provide a meaningful comparison. Earnings per share (“EPS”) for 2011 was calculated using these comparatives.

2 - Diluted earnings (loss) per share are anti-dilutive for all periods except September 28, 2013, September 29, 2012, December 31, 2011 and December 31, 2012.

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

In general, sales increased with each successive quarter with the largest increase in the third quarter of each year. The third quarter has the highest sales revenue each year.

In addition, volatility in exchange rates can have a significant impact on earnings. The volatility is partially offset by Clearwater’s foreign exchange management program.

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

Earnings for the fourth quarter of 2012 included an $8 million future tax recovery.

Changes made effective January 1, 2011, to the management agreement that governs Clearwater's frozen-at-sea shrimp and turbot harvesting operations, resulted in Clearwater fully consolidating these operations in 2011 incurring a non-cash gain of $11.6 million in the first quarter of 2011.

The settlement of the Glitnir transaction during the fourth quarter of 2011 resulted in a non-cash gain of $12.4 million.

DEFINITIONS AND RECONCILIATIONS

Gross margin

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

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

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

Adjusted EBITDA is defined as EBITDA excluding one-time non-recurring items such as severance charges, gains or losses on property, plant and equipment, gains or losses on quota sales, refinancing and reorganization costs. In addition recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts), and adjustments to stock based compensation, have been excluded from the calculation of adjusted EBITDA due to the variability in these gains and losses.

In the fourth quarter of 2012 Clearwater began to exclude amounts related to stock based compensation from the calculation of adjusted EBITDA due to the variability in these gains and losses in the liability related to its cash settled share-based payment programs. It has restated all prior periods for this change.

Reconciliation of Net earnings to adjusted EBITDA for the 13 and 39 weeks ended, and the rolling twelve months ended September 28, 2013 and September 29, 2012 is as follows:

	13 weeks ended		Year to date		12 month rolling ended	
	September 28 2013	September 29 2012	September 28 2013	September 29 2012	September 28 2013	September 29 2012
Net earnings	$ 27,224	$ 17,618	$ 15,596	$ 12,186	$ 26,114	$ 28,580
Add (deduct):						
Income taxes	(6,545)	997	(9,088)	1,897	(16,004)	3,412
Taxes and depreciation for equity investment	507	-	714	-	714	-
Depreciation and amortization	5,277	5,335	16,910	16,389	23,497	21,739
Interest on long-term debt and bank charges	3,937	5,124	13,458	16,677	18,287	22,351
	30,400	29,074	37,590	47,149	52,608	76,082
Add (deduct) other non-routine items:						
Unrealized foreign exchange and derivative income	(4,303)	(5,658)	640	(6,605)	3,769	(11,063)
Fair market value on long term debt	682	26	(701)	3,026	(829)	4,232
Realized foreign exchange on working capital	250	1,212	6,035	2,167	5,227	4,331
Restructuring and refinancing costs	460	471	10,642	6,880	10,726	6,950
Stock based compensation	1,097	621	2,948	814	4,465	1,459
(Gain)/Loss on disposal of assets and quota	315	-	(398)	-	(398)	-
Gain on settlement of debt	-	-	-	-	-	(12,445)
Adjusted EBITDA	**$ 28,901**	**$ 25,746**	**$ 56,756**	**$ 53,431**	**$ 75,568**	**$ 69,546**
Adjusted EBITDA attributable to:						
Non-controlling interests	$ 4,280	$ 3,382	$ 10,174	$ 9,451	$ 13,571	$ 13,169
Shareholders of Clearwater	24,621	22,364	46,582	43,980	61,997	56,377
	$ 28,901	**$ 25,746**	**$ 56,756**	**$ 53,431**	**$ 75,568**	**$ 69,546**

Note 1: The impact to earnings and adjusted EBITDA related to an entity previously proportionately consolidated was $nil. As a result no changes were made to the calculation of adjusted EBITDA per above.

Leverage

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

Leverage is calculated by dividing the current and preceding annual adjusted EBITDA by the total debt on the balance sheet adjusted for cash reserves.

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

In 000's of Canadian dollars	September 28 2013	December 31 2012	September 29 2012
Adjusted EBITDA[1]	$ 75,568	$ 72,243	$ 69,546
Debt (net of deferred financing charges of $0.6 million (December 31, 2012 - $4.4 million) (September 29, 2012 - $4.7 million))	252,376	253,791	264,427
Less cash	(15,502)	(41,504)	(14,771)
Net debt	236,874	212,287	249,656
Leverage	3.1	2.9	3.6

Free cash flows

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

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

Reconciliation for the 13 and 39 weeks ended and the rolling twelve months ended September 28, 2013 and September 29, 2012 is as follows:

	13 weeks ended		39 weeks ended		12 month Rolling	
Free cash flows	**September 28, 2013**	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
Adjusted EBITDA	28,901	25,746	56,756	53,431	75,568	69,546
Less:						
Cash interest	(3,758)	(4,784)	(12,660)	(15,875)	(17,131)	(21,132)
Cash taxes	(528)	(106)	(1,531)	(1,238)	(1,984)	(2,292)
Other income and expense items	(1,057)	(4,346)	(1,391)	(10,907)	(2,918)	(15,732)
Operating cash flow before changes in working capital	**23,558**	**16,510**	**41,173**	**25,411**	**53,535**	**30,390**
Change in working capital	(4,693)	(1,154)	(35,262)	(24,150)	(2,930)	(9,545)
Cash flows from operating activities	**18,865**	**15,356**	**5,911**	**1,261**	**50,605**	**20,845**
Uses of cash:						
Purchase of property, plant, equipment, quota and other assets	(5,731)	(1,200)	(12,630)	(12,352)	(16,851)	(14,457)
Disposal of fixed assets	23	-	978	-	978	-
Less: Designated borrowings	1,469	-	1,469	2,056	1,469	2,056
Scheduled payments on long-term debt	(24)	(28)	(1,867)	(4,709)	(3,495)	(4,723)
Dividends received from joint venture	-	-	1,240	-	2,980	-
Distributions to non-controlling interests	(3,244)	(1,177)	(7,707)	(6,711)	(10,487)	(9,038)
Free cash flows	**11,359**	**12,951**	**(12,605)**	**(20,455)**	**25,199**	**(5,317)**
Add/(less):						
Other debt borrowings (repayments) of debt	(14,287)	(8,946)	(13,253)	24,192	(23,851)	10,328
Other investing activities	(238)	1,058	(331)	1,818	(790)	664
Other financing activities	-	-	-	-	-	(30)
Change in cash flows for the period	(3,166)	5,063	(26,189)	5,555	558	5,645

Return on Assets

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

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

In (000's) of Canadian dollars **Twelve month period ending** **Return on Assets**	**September 28, 2013**	**September 29, 2012**
Adjusted earnings before interest and taxes	51,626	47,456
Total Assets	414,166	399,428
	12.5%	11.9%

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Clearwater Seafoods Incorporated has prepared these condensed consolidated interim financial statements. Management has compiled the unaudited condensed consolidated interim Statement of Financial Position of Clearwater Seafoods Incorporated as at September 28, 2013, the unaudited condensed consolidated interim Statements of Financial Position as at December 31, 2012 and the unaudited condensed consolidated interim statements of earnings, other comprehensive income, shareholders' equity, and cash flows for the 13 and 39 weeks ended September 28, 2013 and September 29, 2012. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 28, 2013 and September 29, 2012 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Financial Position

unaudited

(In thousands of Canadian dollars)

	September 28, 2013	December 31, 2012 (Restated) (Note 2(b))
ASSETS		
Current assets		
Cash	**$ 15,502**	$ 41,504
Trade and other receivables	**60,051**	43,168
Inventories	**66,242**	51,793
Prepaids and other	**5,255**	6,981
Derivative financial instruments (Note 5)	**2,087**	4,185
	149,137	147,631
Non-current assets		
Long term receivables	**9,997**	10,647
Other assets	**343**	1,245
Property, plant and equipment	**121,204**	126,580
Licences and fishing rights (Note 9)	**102,395**	104,568
Investment in equity investee (Note 2(b))	**4,173**	3,868
Deferred tax assets (Note 11)	**19,874**	9,207
Goodwill	**7,043**	7,043
	265,029	263,158
TOTAL ASSETS	**$ 414,166**	$ 410,789
LIABILITIES		
Current liabilities		
Trade and other payables	**$ 41,399**	$ 44,564
Income tax payable	**477**	310
Current portion of long-term debt (Note 4)	**13,749**	15,527
Derivative financial instruments (Note 5)	**4,486**	3,639
	60,111	64,040
Non-current liabilities		
Long-term debt (Note 4)	**238,627**	238,264
Deferred tax liabilities	**1,789**	1,964
	240,416	240,228
SHAREHOLDERS' EQUITY		
Share capital	**64,780**	64,867
Retained earnings	**24,138**	14,616
Cumulative translation account	**(4,637)**	(3,866)
	84,281	75,617
Non-controlling interest	**29,358**	30,904
	113,639	106,521
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$ 414,166**	$ 410,789

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Earnings

unaudited

(In thousands of Canadian dollars)

	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012 (Restated) (Note 2(b))	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012 (Restated) (Note 2(b))
Sales	**$ 113,982**	$ 101,553	**$ 277,647**	$ 257,357
Cost of goods sold	**82,407**	77,196	**215,907**	203,371
	31,575	24,357	**61,740**	53,986
Administrative and selling	**9,295**	7,294	**25,710**	22,771
Net finance costs (Note 5(c))	**2,516**	(1,112)	**30,069**	18,887
Other income	**(1,217)**	(596)	**(1,576)**	(2,194)
Research and development	**302**	511	**1,029**	935
	10,896	6,097	**55,232**	40,399
Earnings before income taxes	**20,679**	18,260	**6,508**	13,587
Income tax (recovery) expense (Note 11)	**(6,545)**	642	**(9,088)**	1,401
Earnings for the period	**$ 27,224**	$ 17,618	**$ 15,596**	$ 12,186
Earnings attributable to:				
Non-controlling interest	**$ 2,557**	$ 2,448	**$ 6,161**	$ 5,657
Shareholders of Clearwater	**24,667**	15,170	**9,435**	6,529
	$ 27,224	$ 17,618	**$ 15,596**	$ 12,186
Basic earnings per share (Note 6)	$ 0.48	$ 0.30	$ 0.19	$ 0.13
Diluted earnings per share (Note 6)	$ 0.47	$ 0.27	$ 0.19	$ 0.13

See accompanying notes to condensed consolidated interim financial statements

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

	13 weeks ended		39 weeks ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Earnings for the period	**$ 27,224**	$ 17,618	**$ 15,596**	$ 12,186
Other comprehensive loss -				
Items that may be reclassified subsequently to earnings:				
Foreign currency translation differences of foreign operations	**(446)**	(880)	**(771)**	(461)
Total comprehensive income for the period	**$ 26,778**	$ 16,738	**$ 14,825**	$ 11,725
Total comprehensive income attributable to:				
Non-controlling interest	**$ 2,557**	$ 2,448	**$ 6,161**	$ 5,657
Shareholders of Clearwater	**24,221**	14,290	**8,664**	6,068
	$ 26,778	$ 16,738	**$ 14,825**	$ 11,725

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Shareholders' Equity

unaudited

(In thousands of Canadian dollars)

	Common shares	Retained earnings (deficit)	Cumulative translation account	Non-controlling interest	Total
Balance at January 1, 2012	**$ 65,309**	**$ (835)**	**$ (3,122)**	**$ 32,700**	**$ 94,052**
Total comprehensive income for the period	-	6,529	(461)	5,657	11,725
Transactions recorded directly in equity					
Distributions to non-controlling interest	-	-	-	(6,711)	(6,711)
Redemption of 2013 convertible debentures	(442)	442	-	-	-
Total transactions with owners	(442)	442	-	(6,711)	(6,711)
Balance at September 29, 2012	**$ 64,867**	**$ 6,136**	**$ (3,583)**	**$ 31,646**	**$ 99,066**
Total comprehensive income for the period	-	8,480	(283)	2,038	10,235
Transactions recorded directly in equity					
Distributions to non-controlling interest	-	-	-	(2,780)	(2,780)
Total transactions with owners	-	-	-	(2,780)	(2,780)
Balance at December 31, 2012	**$ 64,867**	**$ 14,616**	**$ (3,866)**	**$ 30,904**	**$ 106,521**
Total comprehensive income for the period	-	9,435	(771)	6,161	14,825
Transactions recorded directly in equity					
Distributions to non-controlling interest	-	-	-	(7,707)	(7,707)
Redemption of 2014 convertible debentures	(87)	87	-	-	-
Total transactions with owners	(87)	87	-	(7,707)	(7,707)
Balance at September 28, 2013	**$ 64,780**	**$ 24,138**	**$ (4,637)**	**$ 29,358**	**$ 113,639**

See accompanying notes to condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Cash Flows

unaudited

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	September 28, 2013	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
		(Restated) (Note 2(b))		(Restated) (Note 2(b))
Operating				
Earnings for the period	**$ 27,224**	$ 17,618	**$ 15,596**	$ 12,186
Adjustments for:				
Depreciation and amortization	**5,901**	5,484	**18,185**	16,724
Net finance costs (excludes realized items)	**316**	(508)	**22,713**	16,149
Income tax (recovery) expense	**(6,545)**	642	**(9,088)**	1,401
Share-based compensation	**1,097**	620	**2,948**	772
Loss (gain) on disposal of property, plant, and equipment, and other	**338**	(165)	**(787)**	(234)
Earnings in equity investee	**(1,120)**	(838)	**(1,554)**	(1,153)
Foreign exchange and other	**323**	197	**6,341**	(293)
	27,534	23,050	**54,354**	45,552
Change in operating working capital (Note 10)	**(3,914)**	(1,043)	**(31,251)**	(24,890)
Interest paid	**(4,533)**	(5,512)	**(16,668)**	(15,851)
Income tax paid	**(222)**	(1,139)	**(524)**	(3,550)
	$ 18,865	$ 15,356	**$ 5,911**	$ 1,261
Financing				
Repayment of long-term debt	**(44,413)**	(43,445)	**(258,954)**	(192,627)
Net proceeds from long-term debt	**10,668**	9,861	**245,288**	216,084
Release of funds held for debt repayment	**44,389**	43,543	**-**	5,000
Repayment of revolving credit facility	**(23,500)**	(18,933)	**-**	(6,918)
Distributions to non-controlling interest	**(3,244)**	(1,177)	**(7,707)**	(6,711)
Government assistance received	**15**	-	**15**	-
	$ (16,085)	$ (10,151)	**$ (21,358)**	$ 14,828
Investing				
Purchase of property, plant, equipment, and other	**$ (5,731)**	$ (1,200)	**$ (12,629)**	$ (12,352)
Proceeds on disposal of property, plant, equipment, and other	**23**	175	**978**	265
Dividends received from joint venture	**-**	-	**1,240**	-
Purchase of other assets	**-**	-	**(83)**	-
Net (advances) receipts in long term receivables	**(238)**	883	**(248)**	1,553
	$ (5,946)	$ (142)	**$ (10,742)**	$ (10,534)
INCREASE (DECREASE) IN CASH	**$ (3,166)**	$ 5,063	**$ (26,189)**	$ 5,555
CASH, BEGINNING OF PERIOD	**18,768**	9,708	**41,504**	9,216
Effect of foreign exchange rate changes on cash	**(100)**	-	**187**	-
CASH, END OF PERIOD	**$ 15,502**	$ 14,771	**$ 15,502**	$ 14,771

See accompanying notes to condensed consolidated interim financial statements

1. DESCRIPTION OF THE BUSINESS

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

Clearwater's sole investment is the ownership of 100% of the partnership units of Clearwater Seafoods Limited Partnership ("CSLP").

The condensed consolidated interim financial statements of Clearwater as at September 28, 2013 and December 31, 2012 and for the 13 and 39 weeks ended September 28, 2013 and September 29, 2012 comprise the company, its subsidiaries and a joint venture. Clearwater's business includes the ownership and operation of assets and property in connection with the harvesting, processing, distribution and marketing of seafood.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board and should be read in conjunction with the annual audited financial statements and the accompanying notes for the year ended December 31, 2012 (included in Clearwater's 2012 Annual Report) which have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by Clearwater's Board of Directors on November 1, 2013.

The preparation of these condensed consolidated interim financial statements is based on accounting policies and practices consistent with those used in the preparation of the annual audited December 31, 2012 financial statements, except as described below.

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

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements replaces the guidance on control and consolidation in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities. IFRS 10 provides additional guidance on determining control for the purposes of consolidation.

Clearwater determined that the adoption of IFRS 10 did not result in any change to the consolidation of its subsidiaries.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements, replaces IAS 31 Interests in Joint Ventures, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement.

Clearwater's adoption of IFRS 11 changed the classification of an entity from a joint operation proportionately consolidated to a joint venture. An investment in a joint venture is accounted for using the equity method as set out in IAS 28 Investments in Associates and Joint Ventures (amended in 2011). This change in accounting as at January 1, 2012 resulted in the aggregation of Clearwater's proportionate share of the entity's net assets and items of profit and loss into single line items.

For the adjustments to the January 1 and December 31, 2012 statements of financial position refer to Note 2 (b) of the 2013 first quarter financial statements, for the condensed consolidated interim statements of earnings for the 13 and 39 weeks ended September 29, 2012 items of earnings were aggregated into single line items in other income for a net of $0.8 million and $1.2 million respectively, for the condensed consolidated interim statements of cash flows for the 13 and 39 weeks ended September 29, 2012 the net cash flows adjusted were $0.3 million and $0.3 million respectively.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities provides a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). Clearwater has adopted IFRS 12 effective January 1, 2013. The adoption of IFRS 12 will result in incremental disclosures in the annual consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13, Fair value measurement, provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

Clearwater adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used to measure fair value and did not result in any measurement adjustments as at January 1, 2013. Clearwater added additional disclosures on fair value measurement in note 5(e).

(c) Critical judgments and estimates in applying accounting policies

In preparing these condensed consolidated interim financial statements, the significant judgments made in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements for the year ended December 31, 2012, (refer to Note 2(e) of the 2012 annual audited consolidated financial statements) with the exception of changes in estimates that are required in determining the provision for income taxes and the annual intangible assets and goodwill impairment test performed in the third quarter.

(In thousands of Canadian dollars)

Taxes on income in the interim periods are accrued using the effective annual income tax rate. Refer to Note 11 for explanation of significant changes in the period. Refer to Note 9 for key estimates and assumptions used in the calculation of the value in use of the cash generating units to which intangible assets and goodwill have been allocated.

3. SEASONALITY

Due to the seasonality in Clearwater's business, sales and gross margins are typically higher in the second half of the year than in the first half of the year as a result of maintenance on vessels, higher investments in working capital, harsher weather conditions, and seasonality in consumer demand in the first half of the year. Higher catch rates resulting in additional saleable product typically occur in the second half of the year.

4. LONG TERM DEBT

	September 28, 2013	December 31, 2012
Revolving loan, due in 2018 (a)	**$ -**	$ -
Term loans (b)		
Term loan A, due June 2018	**30,000**	-
Delayed draw term loan A, due June 2018	**(608)**	-
Term loan B, due June 2019	**201,415**	-
Term loan B, embedded derivative	**5,545**	-
Term loan, due in 2014 (f)	**10,324**	-
Term loan A, repaid in June 2013	-	72,259
Term loan B, repaid in June 2013	-	125,781
Term loan B, embedded derivative, extinguished in June 2013	-	4,205
2014 Convertible debentures - redeemed in July 2013 (c)	-	44,722
Marine mortgage, due in 2017 (d)	**1,780**	2,697
Term loan, due in 2091 (e)	**3,500**	3,500
Other loans	**420**	627
	252,376	253,791
Less: current portion	**(13,749)**	(15,527)
	$ 238,627	$ 238,264

(a) The revolving loan consists of a CDN $75.0 million facility that matures in June 2018. The facility can be denominated in Canadian and US dollars. As at September 28, 2013 the balances are CDN $ nil (December 31, 2012 - $ nil) and USD of $ nil (December 31, 2012 - $ nil). The CDN balances bear interest at the banker's acceptance rate plus 3.25%. The USD balances bear interest at the US Libor rate plus 3.25%. As of September 28, 2013 this results in effective rates of 4.45% for CDN balances and 3.49% for USD balances. The loan has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of CDN $25.0 million.

(b) Term loans consist of a CDN $30.0 million Term Loan A facility, a CDN $45.0 million Delayed Draw Term Loan A facility, and a USD $200.0 million Term Loan B facility.

Term Loan A - The principal outstanding as at September 28, 2013 is CDN $30.0 million. The loan is repayable in quarterly installments of $0.2 million to June 2015, $0.4 million from September 2015 to June 2017, and $0.8 million from September 2017 to March 2018 with the balance due at maturity in June 2018. Bears interest payable monthly at the banker's acceptance rate plus 3.25%. As at September 28, 2013 this resulted in an effective rate of 4.45%.

Delayed Draw Term Loan A - The principal outstanding as at September 28, 2013 is CDN $ nil. The balance is shown net of deferred financing charges of CDN $0.6 million. The loan is repayable in quarterly installments of 1.25% of the principal amount drawn under the facility with repayment to begin in the first quarter after the facility is fully drawn or closed out. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%.

Term Loan B - The principal outstanding as at September 28, 2013 is USD $200.0 million. The loan is repayable in quarterly installments of USD $0.5 million with the balance due at maturity in June 2019 and bears interest payable monthly at the US Libor plus 3.50% with a Libor interest rate floor of 1.25%. As of September 28, 2013 this resulted in an effective rate of 4.75%. The loan has a provision that, subject to certain conditions allows Clearwater to expand the facility by a maximum of USD $100.0 million. The embedded derivative represents the fair market value of the Libor interest rate floor of 1.25%. The change in fair market value of the embedded derivative is recorded through profit or loss.

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

Clearwater's debt facilities have covenants that include, but are not limited to, a leverage ratio (for which debt, net of certain cash balances, is compared to EBITDA, excluding non controlling interests in EBITDA and most significant non-cash and non-recurring items) as well as a number of non-financial covenants.

In addition to the minimum principal payments for Term Loan A and B, the loan agreement requires between 25% and 50% of excess cash flow (defined in the loan agreement as EBITDA, excluding non controlling interest in EBITDA and most significant non-cash and non-recurring items less certain scheduled principal payments, certain capital expenditures and certain cash taxes) be repaid based on the previous fiscal year's results upon approval of the annual financial statements. Payments are allocated amongst the term loans on a pro rata basis.

(In thousands of Canadian dollars)

(c) The 2014 Convertible debentures accrued interest at 7.25% and were convertible at a price of $5.90 per share at the option of the holder. The debentures paid interest semi annually in arrears on March 31 and September 30. The outstanding principal balance of $44.4 million was repaid on July 29, 2013.

(d) Marine mortgage - The mortgage is payable in the principal amount of:

	September 28, 2013	**December 31, 2012**
YEN	**99,224**	128,991
DKK	**3,957**	6,044
CDN	**-**	154

The mortgage bears interest at UNIBOR plus 1.0% payable semi-annually. Principal payments are required annually as follows:

	2014	2015	2016	2017
YEN	29,767	29,767	29,767	9,923
DKK	2,087	1,870	-	-
CDN	-	-	-	-

The loan matures in 2017 and is secured by a first mortgage over the related vessel.

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

(f) Term Loan - The principal outstanding as at September 28, 2013 is USD $10.0 million. The loan is held through a Clearwater subsidiary. The loan is non amortizing and repayable at maturity in August 2014. Bears interest payable monthly at 6.0%. The loan is secured by a marine vessel. Clearwater provides a guarantee on the term loan.

(In thousands of Canadian dollars)

5. FINANCIAL INSTRUMENTS

Summary of derivative financial instrument position

	September 28, 2013	December 31, 2012
Derivative financial assets		
Forward foreign exchange contracts	**$ 2,087**	$ 4,185
Derivative financial liabilities		
Forward foreign exchange contracts	**(4,486)**	(3,439)
Interest rate swap contract	**-**	(200)
	$ (4,486)	$ (3,639)

(a) At September 28, 2013 Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Average Contract Exchange Amount	Maturity	Fair Value Asset (Liability)
Yen	745,000	0.013	2013	$ 2,034
Yen	120,000	0.011	2014	53
				$ 2,087
USD	33,500	0.986	2013	$ (1,113)
USD	5,000	0.984	2014	(123)
Euro	11,000	1.254	2013	(1,590)
Euro	52,000	1.372	2014	(1,573)
Yen	1,195,000	0.010	2014	(87)
				$ (4,486)

At December 31, 2012, Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Average Contract Exchange Amount	Maturity	Fair Value Asset (Liability)
Yen	2,705,000	0.013	2013	$ 4,185
USD	82,500	0.988	2013	$ (640)
Euro	56,100	1.270	2013	(2,799)
				$ (3,439)

(In thousands of Canadian dollars)

(b) At December 31, 2012 Clearwater had an interest rate swap contract outstanding as follows

	Average contracted fixed interest rate	Notional Amount (in 000's)	Fair Value Asset (Liability)
Term Loan A - Interest rate swap	6.29%	30,000	$ (200)

On June 28, 2013 Clearwater settled the swap as part of its refinancing with gain recorded in profit or loss of $0.2 million.

(c) Net finance costs

	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012
Interest expense on financial liabilities	**$ 3,758**	$ 4,784	**$ 12,660**	$ 15,875
Amortization of deferred financing charges and accretion	**179**	340	**798**	801
	3,937	5,124	**13,458**	16,676
Fair value adjustment on convertible debentures and embedded derivative	**682**	26	**(701)**	3,026
Foreign exchange and derivative contracts	**(2,103)**	(6,263)	**7,996**	(7,013)
Debt settlement and refinancing fees	**-**	1	**9,316**	6,198
	$ 2,516	$ (1,112)	**$ 30,069**	$ 18,887

(d) Foreign exchange and derivative contract gains and losses per note 5 (c)):

	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012
Realized loss (gain)				
Foreign exchange contracts and interest rate swap	**$ 1,950**	$ (1,817)	**$ 1,321**	$ (2,575)
Working capital, long-term debt, and other	**250**	1,212	**6,035**	2,167
	2,200	(605)	**7,356**	(408)
Unrealized (gain) loss				
Foreign exchange on long term debt and other assets	**(3,334)**	(4,583)	**(2,471)**	(4,639)
Mark-to-market on foreign exchange contracts	**(969)**	(1,075)	**3,111**	(1,966)
	(4,303)	(5,658)	**640**	(6,605)
	$ (2,103)	$ (6,263)	**$ 7,996**	$ (7,013)

Fair value of financial instruments

(e) Fair Value Hierarchy

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

(In thousands of Canadian dollars)

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

The table below sets out fair value measurements of financial instruments using the fair value hierarchy:

September 28, 2013	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Forward foreign exchange contracts	-	2,087	-
	$ -	$ 2,087	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(4,486)	-
Embedded derivative	-	(5,545)	-
	$ -	$ (10,031)	$ -

December 31, 2012	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Forward foreign exchange contracts	-	4,185	-
	$ -	$ 4,185	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(3,439)	-
Convertible debentures	(44,722)	-	-
Embedded derivative	-	(4,205)	-
Interest rate swap	-	(200)	-
	$ (44,722)	$ (7,844)	$ -

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

- Forward foreign exchange contracts are measured using quoted forward exchange rates at the statements of financial position dates.

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

- The embedded derivative and interest rate swap are measured using present value techniques. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward price curves, yield curves, and credit spreads.

  The inputs used in fair value models contain inherent uncertainties, estimates and use of judgment. Fair value is taken from observable markets where possible and estimated as necessary. Assumptions underlying the valuations require estimation of prices over time, discount rates, inflation rates, defaults and other relevant variables such as foreign exchange volatility.

There were no transfers between levels during the periods ended September 28, 2013 and December 31, 2012.

Fair value of financial instruments carried at amortized cost

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

The estimated fair value of Clearwater's long term debt whose carrying value does not approximate fair value at September 28, 2013 is $15.8 million (December 31, 2012 - $7.2 million) and the carrying value is $16.0 million (December 31, 2012 – $6.6 million). The fair value of long term debt has been classified as level 2 in the fair value hierarchy and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

6. EARNINGS PER SHARE

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

	13 weeks ended		**39 weeks ended**	
	September 28, 2013	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
Basic				
Earnings for the period	**$ 24,667**	$ 15,170	**$ 9,435**	$ 6,529
Weighted average number of shares outstanding	**50,948,698**	50,948,698	**50,948,698**	50,948,698
Earnings per share	**$ 0.48**	$ 0.30	**$ 0.19**	$ 0.13
Diluted				
Earnings for the period	**$ 24,909**	$ 16,101	**$ 9,435**	$ 6,529
Weighted average number of shares outstanding	**53,428,992**	60,069,575	**50,948,698**	50,948,698
Earnings per share	**$ 0.47**	$ 0.27	**$ 0.19**	$ 0.13

The weighted average number of shares for the purpose of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	September 28, 2013	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
Weighted average number of shares used in the calculation of basic earnings per share	**50,948,698**	50,948,698	**50,948,698**	50,948,698
Shares deemed to be issued for no consideration in respect of:				
Convertible debentures	**2,480,294**	9,120,877	**-**	-
Weighted average number of shares used in the calculation of diluted earnings per share	**53,428,992**	60,069,575	**50,948,698**	50,948,698
Earnings for the period	**$ 24,667**	$ 15,170	**$ 9,435**	$ 6,529
Interest on convertible debentures	**242**	931	**-**	-
Diluted earnings for the period	**$ 24,909**	$ 16,101	**$ 9,435**	$ 6,529

The interest on the 2013 and 2014 convertible debentures results in anti-dilutive earnings per share for the 39 weeks ended September 28, 2013 and September 29, 2012. As a result 7,523,559 potential ordinary shares (September 28, 2012 - 20,882,942) were not included in the calculation of the weighted average number of ordinary shares for the purpose of diluted earnings per share.

7. SEGMENTED INFORMATION

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

(a) Sales by Species

	13 weeks ended		39 weeks ended	
	September 28, 2013	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
		(Restated) (Note 2(b))		(Restated) (Note 2(b))
Scallops	**$ 42,343**	$ 30,387	**$ 101,638**	$ 75,799
Coldwater shrimp	**19,548**	19,438	**53,940**	58,037
Lobster	**18,484**	17,264	**48,349**	47,916
Clams	**17,780**	19,182	**41,975**	52,946
Crab	**9,257**	9,585	**18,253**	15,628
Ground fish and other	**6,570**	5,697	**13,492**	7,031
	$ 113,982	$ 101,553	**$ 277,647**	$ 257,357

(In thousands of Canadian dollars)

(b) Sales by Geographic Region

	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012
		(Restated) (Note 2(b))		(Restated) (Note 2(b))
United States	**$ 24,717**	$ 15,240	**$ 59,572**	$ 43,242
Canada	**19,709**	19,303	**42,729**	36,668
North America	**44,426**	34,543	**102,301**	79,910
France	**10,440**	10,584	**32,368**	28,603
UK	**5,796**	3,838	**10,958**	11,148
Russia	**1,293**	3,247	**9,937**	8,450
Other	**14,028**	16,205	**34,533**	39,206
Europe	**31,557**	33,874	**87,796**	87,407
China	**20,712**	15,273	**43,109**	39,051
Japan	**9,656**	12,786	**28,160**	36,011
Other	**6,947**	4,398	**14,209**	13,302
Asia	**37,315**	32,457	**85,478**	88,364
Other	**684**	679	**2,072**	1,676
	$ 113,982	$ 101,553	**$ 277,647**	$ 257,357

(c) Non-current Assets by Geographic Region

	September 28, 2013	December 31, 2012
		(Restated) (Note 2(b))
Property, plant and equipment, licences, fishing rights and goodwill		
Canada	**$ 207,389**	$ 225,048
Argentina	**23,013**	12,886
Other	**240**	257
	$ 230,642	$ 238,191

8. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Clearwater rents office space to CFFI (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. Clearwater charges CFFI management and other fees for finance and administration services provided to CFFI by certain Clearwater staff for the 13 and 39 weeks ended September 28, 2013. CFFI charged management fees to Clearwater for legal, finance, and administration services provided to Clearwater by certain CFFI staff for the 13 and 39 weeks ended September 29, 2012. These fees apportioned the salaries of the individuals providing the services based on estimated time spent. CFFI charges Clearwater for its use of CFFI aircraft at market rates per hour of use.

(In thousands of Canadian dollars)

Clearwater had the following transactions and balances with CFFI, for the period ended September 28, 2013 and September 29, 2012:

	13 weeks ended		39 weeks ended	
	September 28, 2013	**September 29, 2012**	**September 28, 2013**	**September 29, 2012**
Opening balance due from CFFI	**$ 1,458**	$ 2,267	**$ 1,596**	$ 2,111
Management and other fees charged to (from) CFFI	**-**	(48)	**122**	(198)
Rent and IT service fees charged to CFFI	**46**	46	**138**	138
Interest on intercompany account	**19**	25	**58**	82
Guarantee fee charged from CFFI	**-**	-	**-**	(62)
Aircraft charges from CFFI	**-**	-	**-**	(26)
Payments from CFFI	**-**	(650)	**(350)**	(750)
Advances to (from) CFFI	**-**	(119)	**-**	166
Other charges to (from) CFFI	**35**	173	**(6)**	233
	$ 1,558	$ 1,694	**$ 1,558**	$ 1,694

The amount due from CFFI is unsecured and due on demand. The account has been classified as a current asset included in prepaids and other. The balance bears interest at a rate of 5%. Fees amounting to 1% of the guarantees were being charged to Clearwater. With the debt refinancings CFFI no longer provides a guarantee on the senior debt facilities for Clearwater.

In addition Clearwater expensed approximately $0.02 million and $0.05 million for vehicle leases for the 13 and 39 weeks ended September 28, 2013 (September 29, 2012 - $0.01 million and $0.09 million) and approximately $0.02 million and $0.08 million for other services for the 13 and 39 weeks ended September 28, 2013 (September 29, 2012 - $0.08 million and $0.8 million) from companies related to its parent. The transactions are recorded at the exchange amount and the balance due to these companies was $ nil as at September 28, 2013 (December 31, 2012 - $0.02 million).

At September 28, 2013 Clearwater had a long-term receivable of $8.5 million (December 31, 2012 - $7.7 million), included in long term receivables, for advances and loans made to a non-controlling interest shareholder in a subsidiary.

(In thousands of Canadian dollars)

9. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Indefinite life licenses	Fishing rights	Total
Cost				
Balance at January 1, 2012 (Restated) (Note 2(b))	$ 7,043	$ 85,380	$ 24,094	$ 116,517
Disposal	-	(910)	-	(910)
Foreign currency exchange translation	-	(445)	-	(445)
Balance at December 31, 2012	7,043	84,025	24,094	115,162
Foreign currency exchange translation	-	(821)	-	(821)
Balance at September 28, 2013	$ 7,043	$ 83,204	$ 24,094	$ 114,341
Accumulated amortization				
Balance at January 1, 2012	$ -	$ -	$ 1,749	$ 1,749
Amortization expense	-	-	1,802	1,802
Balance at December 31, 2012	-	-	3,551	3,551
Amortization expense	-	-	1,352	1,352
Balance at September 28, 2013	$ -	$ -	$ 4,903	$ 4,903
Carrying amounts				
As at December 31, 2012	$ 7,043	$ 84,025	$ 20,543	$ 111,611
As at September 28, 2013	$ 7,043	$ 83,204	$ 19,191	$ 109,438

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

Indefinite life licenses and Goodwill

Annual impairment testing for each cash generating unit ("CGU") was performed using a value in use approach as of September 28, 2013. The recoverable amounts for all CGU's were determined to be higher than their carrying amounts and no impairments were recorded during 2013 or 2012. The value in use approach was determined by discounting the projected future cash flows generated from the continuing earnings from operations for the applicable CGU. Unless otherwise indicated in notes i – iii, the assumptions used in the value in use approach for 2013 were determined similarly to 2012.

(In thousands of Canadian dollars)

The carrying value of the intangible assets and goodwill by CGU was as follows:

	September 28, 2013	December 31, 2012
Scallops		
Goodwill - $ nil (December 31, 2012 $ nil)		
Indefinite life licenses - $57.1 million (December 31, 2012 $57.8 million)	57,065	57,849
All other CGU's individually without significant carrying value		
Goodwill - $7.0 million (December 31, 2012 $7.0 million)		
Indefinite life licenses - $26.1 million (December 31, 2012 $26.2 million)	33,182	33,219
	90,247	91,068

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

i) Cash flows from operations were projected for a period of five years based on a combination of past experience, actual operating results and Management approved 2014 forecasted earnings. Terminal values and forecasts for future periods were extrapolated using inflation rates of 1.0% (2012: 1.0%). Gross margins for all future periods were determined using a combination of forecasted and historical margins.

ii) Pre-tax discount rates ranging from 13% - 18% (2012: 12% - 17%) were applied in determining the recoverable amount of the CGU's. The discount rates were estimated based upon weighted average cost of capital, and associated risk for the CGU.

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

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

The estimated recoverable amount of the cooked and peeled CGU exceeded its carrying amount by approximately $4.6 million (2012: $4.3 million). Clearwater has identified a key assumption for which there could be a possible change that could cause the carrying amount to exceed the recoverable amount. The forecasted gross margin percentage would need to decrease by 3% in order for the CGU's recoverable amount to approximate the carrying value.

Definite life fishing rights

Amortization relates to fishing rights. Amortization is allocated to the cost of inventory and is recognized in cost of goods sold as inventory is sold.

(In thousands of Canadian dollars)

In 2013 there have been no additions or disposals. In 2012 Clearwater disposed of non-core groundfish and snow crab fishing quotas with a net book value of $0.9 million for proceeds of $2.0 million resulting in a gain of $1.1 million.

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

10. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital *(excludes change in accrued interest)*	13 weeks ended September 28, 2013	13 weeks ended September 29, 2012	39 weeks ended September 28, 2013	39 weeks ended September 29, 2012
		(Restated) (Note 2(b))		(Restated) (Note 2(b))
Decreases (increases) in inventory	**436**	7,154	**(15,310)**	(6,571)
Increase (decreases) in accounts payable	**2,003**	(4,688)	**(781)**	(9,882)
Increases in accounts receivable	**(6,253)**	(3,270)	**(16,846)**	(6,582)
(Increases) decrease in prepaids	**(100)**	(239)	**1,686**	(1,855)
	$ (3,914)	$ (1,043)	**$ (31,251)**	$ (24,890)

11. INCOME TAXES

During the period Clearwater recognized deferred tax assets of $12.5 million primarily related to its loss carry-forward balances. These deferred tax assets are recognized based on Clearwater’s estimate that it will earn sufficient taxable profit in current and future periods to utilize these losses.

12. CONTINGENT LIABILITIES

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

Quarterly and share information

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

	2013			2012				2011
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales	113,982	95,368	68,297	92,957	101,640	84,966	70,884	87,140
Net earnings (loss)	27,224	(9,866)	(1,762)	10,518	17,618	(2,505)	(2,927)	16,390
Per share data								
Basic net earnings (loss)	0.48	(0.24)	(0.06)	0.17	0.30	(0.08)	(0.09)	0.28
Diluted net earnings (loss)	0.47	(0.24)	(0.06)	0.15	0.27	(0.08)	(0.09)	0.23

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Trading price range of shares (board lots)								
High	5.82	4.98	5.30	4.15	2.90	2.70	2.40	2.85
Low	4.86	4.10	4.00	2.50	2.36	2.02	1.85	2.10
Close	5.68	4.92	4.85	4.00	2.50	2.48	2.27	2.39
Tranding volumes (000's)								
Total	2,416	1,930	6,709	1,906	1,265	1,350	1,089	831
Average daily	39	30	110	31	21	22	18	13
Shares outstanding at end of quarter	50,948,698	50,948,698	50,948,698	50,948,698	50,948,698	50,948,698	50,948,698	50,948,698

CORPORATE INFORMATION

DIRECTORS OF CLEARWATER SEAFOODS INCORPORATED

Colin E. MacDonald, Chairman of the Board

John C. Risley
President, Clearwater Fine Foods Inc.

Harold Giles, Chair of Corporate Governance and Compensation Committee
Independent Consultant

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

Thomas D. Traves
President Emeritus, Dalhousie University

Mickey MacDonald
President, Micco Companies

Brendan Paddick
Chief Executive Officer, Columbus Communications Inc.

Stan Spavold
Executive Vice President, Clearwater Fine Foods Inc.

Jim Dickson
Partner, Stewart McKelvey

EXECUTIVE OF CLEARWATER SEAFODS INCORPORATED

Ian Smith
Chief Executive Officer

Eric R. Roe
Vice-President, Chief Operating Officer

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

Michael D. Pittman
Vice-President, Fleet

Greg Morency
Chief Commercial Officer & Executive Vice-President

David Rathbun
Vice-President, Chief Talent Officer

Christine Penney
Vice-President, Sustainability & Public Affairs

Rob O'Sullivan
Vice-President Sales – Americas

Paul Broderick
Vice-President of International Sales

David Kavanagh
Vice-President and General Counsel

John Burwash
Vice-President, Chief Information Officer

INVESTOR RELATIONS

Tyrone D. Cotie, CA
Treasurer
(902) 457-8181
tcotie@clearwater.ca

AUDITORS

KPMG LLP
Halifax, Nova Scotia

SHARES LISTED

Toronto Stock Exchange
SHARE Symbol: CLR

TRANSFER AGENT

Computershare Investor Services Inc.

Clearwater Seafoods Incorporated
757 Bedford Highway, Bedford, Nova Scotia, Canada, B4A 3Z7
Tel. (902) 443-0550 Fax. (902) 443-7797 www.clearwater.ca