growing globally

dedicated to sustainable seafood excellence

first quarter report

2014 Q1

Clearwater Seafoods Incorporated

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LETTER TO SHAREHOLDERS

- Sales grew by 13.9% in the first quarter of 2014 driven by strong demand and higher exchange rates

- Adjusted EBITDA was stable as compared to first quarter 2013 as seasonally higher costs and foreign exchange hedging contracts offset the positive impact of higher sales during the quarter

- Free cash flow grew by $13.5 million in the quarter due to a positive contribution from working capital offset partially by higher net capital investments

- The twelve month rolling adjusted EBITDA and free cash flow for the first quarter of 2014 increased $6.4 million to $78.5 million and from $30.5 million to $40.0 million, respectively.

- Management maintains a strong positive outlook for the remainder of 2014 and sees a more favorable overall economic environment for Canadian seafood exporters

- Targets for 2014 include sales growth of 5% or greater; growth in free cash flows of 5% or greater; and return on assets of 12% or greater

- Declares quarterly dividend of $0.025 per share payable on May 28, 2014 to shareholders of record as of May 14, 2014.

First quarter results

Clearwater reported sales of $77.8 million and adjusted EBITDA[1] of $10.2 million for the first quarter of 2014 versus 2013 comparative figures of $68.3 million and $10.8 million, reflecting growth of 13.9% in sales and stable EBITDA levels. Free cash flows[1] were ($0.9) million versus ($14.3) million in the first quarter of 2013, an increase of $13.5 million.

The 13.9% growth in sales was driven by strong market demand and pricing as well as a $5.9 million positive impact due to a foreign exchange rate environment that had average spots rates for major currencies such as the US dollar, Euro and Yen at higher levels in 2014 than the first quarter of 2013. This was partially offset by lower sales volumes, due primarily to the timing of shipments.

Adjusted EBITDA was stable as the positive impact of higher sales was offset by higher fuel costs per pound and seasonally higher harvest and procurement costs as well as payments made on foreign exchange hedging contracts.

Net earnings for the quarter decreased by $10.4 million. The primary reason for this difference was unrealized foreign exchange of $13.3 million. This non-cash adjustment relates to the fact that we are required to adjust our US dollar denominated long term debt and US dollar, Euro and Yen foreign exchange hedging contracts using higher period end exchange rates on these currencies.

Hedging contract payments relate to foreign exchange contracts that matured during the first quarter of 2014. Clearwater's foreign exchange hedging program is designed to enable Clearwater to complete its annual planning cycle and remove uncertainty regarding exchange rates by locking in up to 75% of annual net foreign exchange exposure.

Should the current environment of a stronger US dollar, Euro and Yen versus the Canadian dollar persist it will have a net positive impact on 2014 sales but the hedging program would offset a portion of these gains. The net impact on Adjusted EBITDA would remain positive. Looking forward to 2015, Clearwater will realize a greater benefit of such higher rates as any future hedging contracts it enters into would be at rates closer to current spot rates.

Free cash flows for the first quarter of 2014 grew by $13.5 million over the same period in 2013 primarily due to a $13.7 million improvement in working capital, higher operating cash flows before working capital and higher dividends received. This was partially offset by a $4.1 million increase in planned capital expenditures.

Rolling twelve month results

Adjusted EBITDA for the twelve month period to the first quarter of 2014 increased by $6.4 million, or 8.9%, to $78.5 million from $72.1 million for the same period in 2013.

Rolling twelve month free cash flow for the first quarter of 2014 increased $30.5 million to $40.0 million from $9.1 million in the same period in 2013.

Growth in adjusted EBITDA and free cash flows were due to a strong and growing market demand that improved sales prices for the majority of species and yielded strong sales volumes for scallops, both of which increased margins. Improvements in free cash flows were partially offset by higher capital expenditures including scheduled refits and higher payments to minority interest partners.

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 first quarter of 2014 are consistent with Management's expectations for the quarter and in-line with its expectations for fiscal 2014.

Outlook

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

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

The supply of wild seafood is limited and is expected to continue to lag behind the growing global demand. This supply-demand imbalance has created a 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.

With the exception of the last six months, all of our growth and increased profitability over the last 4 years has occurred during a period of:

- Significantly unfavorable foreign exchange relative to most of the major currencies we sell in;
- Weak economic conditions in many/most of our major markets including Europe, USA and Japan; and
- An overall weak environment for global trade.

To this point our largest tailwind has been global demand and increasing per capita consumption in the face of limited supply (the scarcity factor). We are now operating in a much more favorable economic environment for Canadian exporters, providing further tailwinds."

We posted strong sales results across our portfolio of sustainably harvested, wild caught seafood during the first quarter of 2014 and are maintaining our annual financial targets. Also, during the quarter we continued to invest and advance several major capital projects that are key to sustaining our long term growth, profitability and competitive advantage.

For 2014 Clearwater has the following annual targets:

- sales growth – 5% or greater,

- adjusted EBITDA margins – 18% or greater,
- Free cash flow growth – 5% or greater
- Leverage – 3x or lower
- return on assets - 12% or higher

Dividends

The Board of Directors approved a quarterly dividend of CAD$0.025 per share payable on May 28, 2014 to shareholders of record on May 14, 2014.

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

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

The Board is satisfied with current dividend levels.

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

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, is entitled 5-1-5 and includes goals to achieve $500 million in sales and $100 million in adjusted EBITDA by the end of 2016 (i.e. in 5 years) 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
May 2, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 2, 2014.

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 2014 first quarter news release.

This MD&A should be read in conjunction with the 2013 annual financial statements, the 2013 annual MDA and the 2013 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.

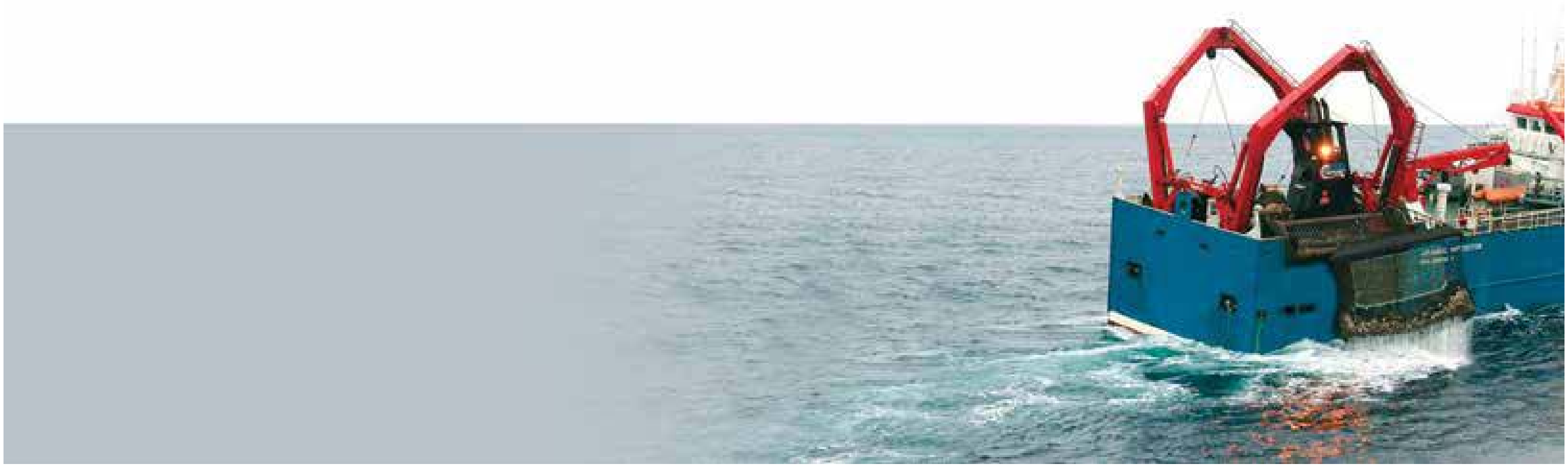
NON-IFRS MEASURES

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

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

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

clearwater overview



Leading Global Provider of Wild-Caught Shellfish

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

Powerful Industry Fundamentals

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

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

Clearwater is the largest holder of shellfish quotas and licenses within Canada and maintains the widest selection of MSC-certified species of any shellfish harvester worldwide. These quotas are a key barrier to entry as regulatory authorities strictly control access and rarely grant new licenses. In addition, the financial resources required to acquire and harvest fishing quotas create barriers to entry. For example, Clearwater's fleet and licenses have an estimated value of more than $500 million.

"Loblaw is proud of our commitment
to selling only sustainably sourced seafood
and by partnering with suppliers like Clearwater
we are confident that Canada can have
a thriving, sustainable fishing industry
that sets standards for the world."

Galen Weston, Executive Chairman,
Loblaw Companies Limited

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

Clearwater maintains a global, direct sales force that is capable of interacting with and selling directly to diverse markets worldwide. Our channel mix in food service, retail and other food industries ensures a diverse community of customers and in addition, we have a diverse customer mix with no single customer representing more than 7% of total sales.

Proven and Experienced Leadership Team

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

key performance indicators

2014 FINANCIAL ACHIEVEMENTS AND TARGETS

In the first quarter of 2014 Clearwater grew sales 13.9% from the same period in 2013 primarily driven by strong sales prices for the majority of species and higher foreign exchange rates on export sales.

Adjusted EBITDA[1] for the twelve month period to the first quarter of 2014 increased by $6.4 million, or 8.9%, to $78.5 million from $72.1 million for the same period in 2013.

Rolling twelve month free cash flow[2] for the first quarter of 2014 increased $30.5 million to $40.0 million from $9.1 million in the same period in 2013.

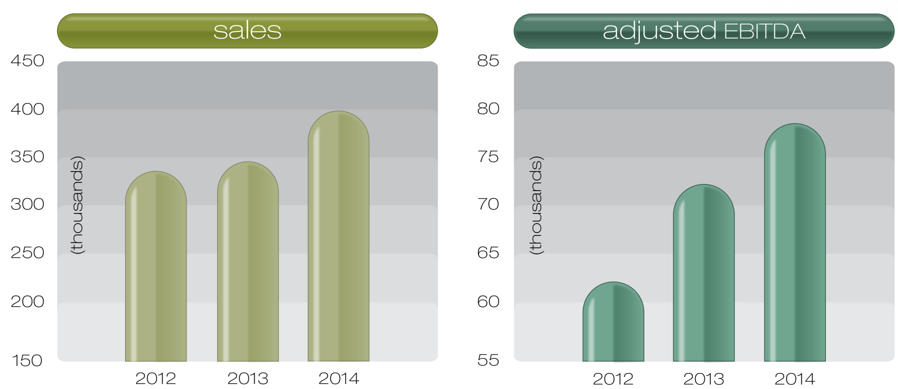
Growth in adjusted EBITDA and free cash flows were due to a strong and growing market demand that improved sales prices for the majority of species and yielded strong sales volumes for scallops, both of which increased margins.

Improvements in free cash flows were partially offset by higher capital expenditures including scheduled refits and higher payments to minority interest partners.

With the exception of the last six months, Clearwater's growth and increased profitability over the last 4 years has occurred during a period of:

- Significantly unfavourable foreign exchange relative to most of the currencies it sells in;
- Weak economic conditions in most of its major markets including Europe, USA and Japan; and
- A weak environment for global trade.

Twelve Month Rolling Profitability



Sales	
2014	398,132
2013	347,721
2012	334,428

Sales Growth	
2014	14.5%
2013	4.0%
2012	6.0%
Target	5% or greater

Adjusted EBITDA	
2014	78,515
2013	72,109
2012	62,057

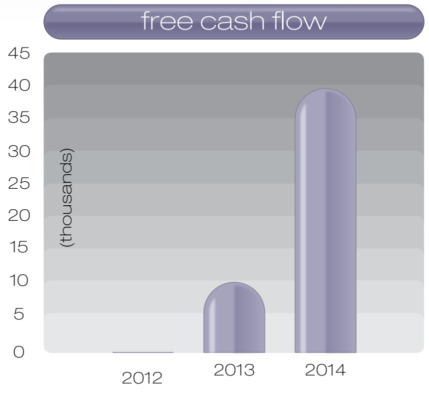
Adjusted EBITDA as a % of sales	
2014	19.7%
2013	20.7%
2012	18.6%
Target	18% or greater

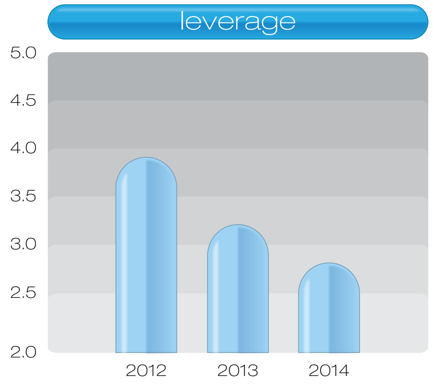
To this point the largest tailwind has been global demand and increasing per capita consumption in the face of limited supply (the scarcity factor). Clearwater is now operating in a much more favorable economic environment for Canadian exporters, providing further tailwinds.

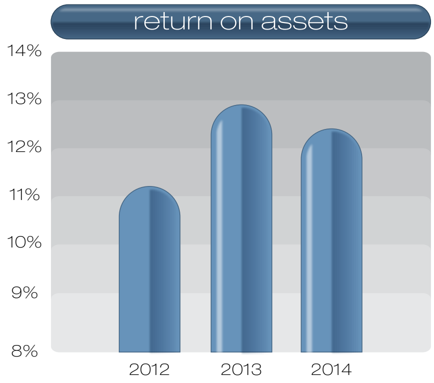
The outlook for the remainder of 2014 is strong and positive. Clearwater has the following targets:

- sales growth – 5% or greater,
- adjusted EBITDA margins – 18% or greater,
- Free cash flows growth – 5% or greater
- Leverage – 3.0x or less
- return on assets - 12% or higher

Twelve Month Rolling Free Cash Flows, Leverage and Returns







Free Cash Flows

2014	39,588
2013	9,079
2012	156

Leverage

2014	2.8
2013	3.2
2012	3.9
Target	3x or lower

Return on Assets

2014	12.4%
2013	12.9%
2012	11.2%
Target	12% or greater

Five-year plan

Clearwater's strong financial performance in the first quarter of 2014 and expectations for the remainder of 2014 have the Company on track to achieve its five year plan of $500 million in sales and $100 million in adjusted EBITDA at the end of the five years ending in 2016.

For the rest of 2014, Clearwater will continue to make progress against its five year plan and lay the groundwork for the next phase of growth through substantial capital expenditures of approximately $85 million for the year.

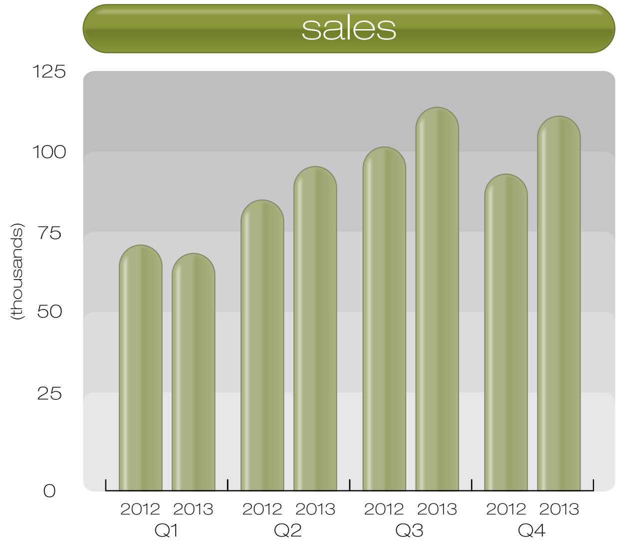
Key initiatives for 2014 include increasing available supply through investments such as the expansion of our lobster business and the construction of a new clam harvesting vessel which is expected to begin operating in 2015. In addition the implementation of a new enterprise resource planning system ("ERP") in late 2014 will support improved decision making capabilities.

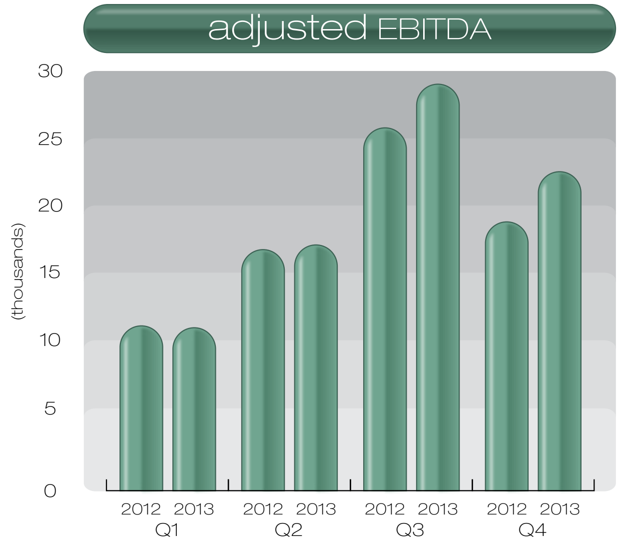
[1] Refer to discussion of non-IFRS measures and definition of Adjusted EBITDA
[2] Refer to discussion of non-IFRS measures and definition of free cash flow

seasonality

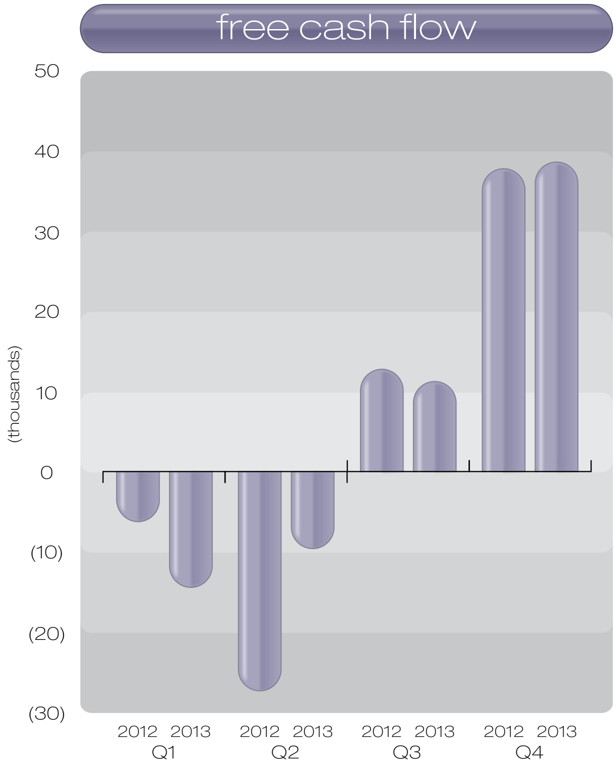
Clearwater's operations experience a predictable seasonal pattern in which sales, margins and adjusted EBITDA are higher in the second half of the year and investments in capital expenditures and working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the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

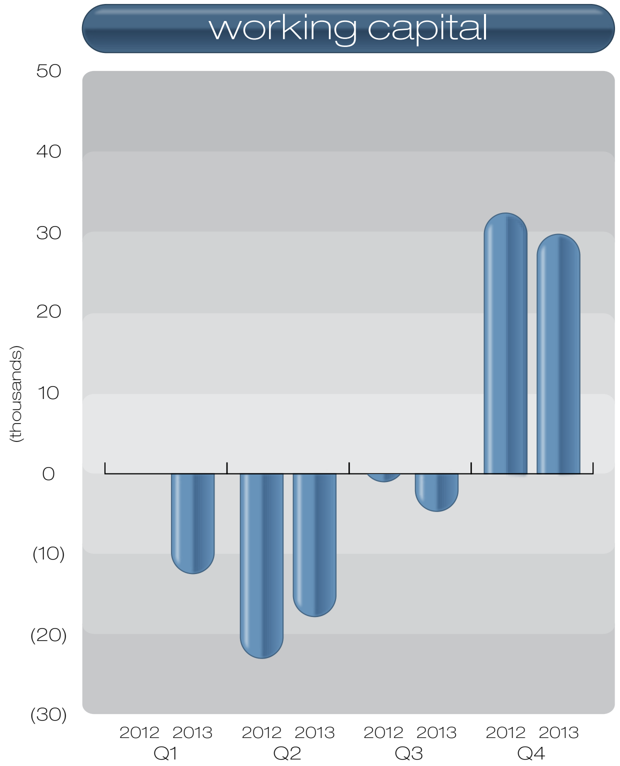
Profitability

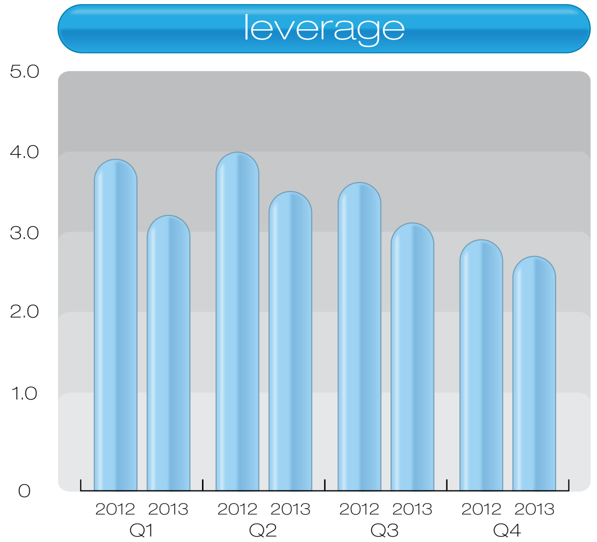




Free Cash Flows, Leverage and Returns







EXPLANATION OF FIRST QUARTER 2014 RESULTS

Overview

The statements reflect the results of Clearwater for the 13 weeks ended March 29, 2014 and March 30, 2013

In 000's of Canadian dollars Unaudited	March 29 2014	March 30 2013
Sales	$ 77,771	$ 68,297
Cost of goods sold	63,191	56,545
Gross margin	14,580	11,752
	18.7%	*17.2%*
Administrative and selling	7,583	8,163
Finance costs	21,363	7,329
Other income	(322)	(306)
Research and development	292	243
	28,916	15,429
Loss before income taxes	(14,336)	(3,677)
Income tax recovery	(2,192)	(1,915)
Loss	$ (12,144)	$ (1,762)
(Loss) Earnings attributable to:		
Non-controlling interests	$ 2,328	$ 1,488
Shareholders of Clearwater	(14,472)	(3,250)
	$ (12,144)	$ (1,762)

First Quarter 2014 Results

In the first quarter of 2014 Clearwater reported strong results including sales of $77.8 million and adjusted EBITDA[1] of $10.2 million, versus 2013 comparative figures of $68.3 million and $10.8 million, respectively.

Clearwater grew sales 13.9% in comparison to the first quarter of 2013 primarily driven by strong sales prices for the majority of species and higher foreign exchange rates as average rates for the US dollar and the Euro strengthened against the Canadian dollar.

Adjusted EBITDA for the first quarter of 2014 was stable as compared to the same period for 2013 as seasonally higher harvesting costs and strengthening foreign exchange rates increased realized foreign exchange losses on foreign exchange contracts as the US dollar and the Euro strengthened against the Canadian dollar, offsetting the improvement in sales for the first quarter.

Free cash flow[2] grew by $13.5 million for the first quarter of 2014 due to a positive contribution in working capital, partially offset by higher net capital investments.

For the first quarter of 2014, gross margin improved by $2.8 million. Gross margin as a percentage of sales improved from 17.2% in the first quarter of 2013 to 18.7% in 2014 due primarily to strong demand that provided higher sales prices for the majority of species. Strengthening foreign exchange rates for the US dollar and the Euro against the Canadian dollar impacted positively on gross margin.

Higher non-operational losses of $14.9 million (refer to the following table), were primarily a result of unrealized and realized foreign exchange losses. The increase in non-cash unrealized foreign exchange losses of $13.3 million primarily related to $7.3 million in unrealized foreign exchange losses on $200.0 million of US dollar denominated debt and $5.9 million of unrealized foreign exchange losses on foreign exchange contracts, as the US dollar and the Euro strengthened against the Canadian dollar. Higher realized foreign exchange losses of $2.9 million on forward exchange contracts related to sales receipts also increased the loss for the first quarter.

1 – Refer to discussion of non-IFRS measures and definition of Adjusted EBITDA

2 – Refer to discussion of non-IFRS measures and definition of free cash flow

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013		Change
Net loss	$	(12,144)	$	(1,762)	$	(10,382)
Explanation of changes in loss related to operational items:						
Higher gross margin						2,828
Lower interest expense						1,138
Lower administrative and selling						580
						4,546
Explanation of changes in loss related to non-operational items:						
Higher unrealized foreign exchange losses						(13,306)
Higher realized foreign exchange losses						(1,195)
Lower fair value adjustments on convertible debentures and embedded derivative						(700)
Higher deferred income tax asset						277
						(14,924)
All other						(4)
					$	(10,382)

Sales by region

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013		Change	%
Europe	$	30,675	$	28,225	$	2,450	8.7
United States		15,622		12,367		3,255	26.3
Canada		9,202		7,387		1,815	24.6
North America		24,824		19,754		5,070	25.7
Japan		9,824		6,005		3,819	63.6
China		9,043		10,493		(1,450)	(13.8)
Other Asia		2,648		3,249		(601)	(18.5)
Asia		21,515		19,747		1,768	9.0
Other		757		571		186	32.6
	$	77,771	$	68,297	$	9,474	13.9

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

European sales increased $2.4 million to $30.7 million for the first quarter of 2014 primarily as a result of stronger exchange rates, higher available supply and strong market demand that increased sales volumes and prices for sea scallops. Strong catch rates in 2013 continued through the first quarter of 2014 increasing available supply for sea scallops. Strong sales prices for argentine scallops also contributed to the increase in sales.

Lower available supply at the end of 2013 and a delay in landings in the first quarter of 2014, resulted in a reduction in sales volumes for Argentine scallops, partially offsetting the increase in sales for the region.

Finally, sales which were primarily transacted in the Euro[1] and the US dollar during the first quarter of 2014 were positively impacted by $3.5 million in foreign exchange. The Euro improved 14.2% relative to the Canadian dollar from 1.33 in the first quarter of 2013 to 1.52 in the same period in 2014, and the US dollar improved 9.4% from 1.01 in the first quarter of 2013 to 1.10 for the same period of 2014.

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 $3.3 million, or 26.3%, to $15.6 million primarily as a result of an increase in sales price for scallops and lobster, and stronger foreign exchange rates. Timing of sales for shrimp also contributed to the increase in sales.

Lower available supply at the end of 2013 and a delay in landings in the first quarter of 2014 resulted in a reduction in sales volumes for argentine scallops, partially offsetting the increase in sales for the region.

Sales were also positively impacted by $1.4 million in the first quarter of 2014 as a result of foreign exchange rates as average rates for the US dollar strengthened against the Canadian dollar. Average foreign exchange rates for the US dollar increased by 9.4% to 1.10 in 2014.

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

Sales within Canada increased $1.8 million, or 24.6% primarily as a result of higher sales volumes and strong market demand that increased sales prices for scallops and lobster. Strong catch rates in 2013 continued through first quarter of 2014 increasing available supply for sea scallops.

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

Sales to customers in China declined $1.5 million, or 13.8%, to $9.0 million as a result of a reduction in sales volumes for shrimp due to the timing in landings in the first quarter of 2014 versus the same period of 2013.

Increases in sales volumes and price for clams partially offset the decline in sales for the region. The increase in sales volumes for clams was a result of higher available supply from 2013 and timing in landings in the first quarter of 2014.

Chinese sales are almost exclusively transacted in US dollars. The US dollar strengthened against the Canadian dollar during the first quarter of 2014 partially offsetting the decline in sales by $0.8 million as average foreign exchange rates for the US dollar strengthened against the Canadian dollar by 9.4% to 1.10 in 2014.

Japan

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

Sales to customers in Japan increased 63.6%, to $9.8 million primarily as a result of higher available supply and strong market demand that increased sales volumes and prices for shrimp and clams.

Average foreign exchange rates for the Yen for the first quarter of 2014 were 0.011 and were consistent same period in 2013.

1 – Refer to risks and uncertainties

Sales by species*

In 000's of Canadian dollars 13 weeks ended*		March 29 2014		March 30 2013		Change	%
Scallops	$	29,303	$	25,082	$	4,221	16.8
Coldwater shrimp		20,738		19,929		809	4.1
Lobster		15,612		13,054		2,558	19.6
Clams		11,878		9,945		1,933	19.4
Ground fish and other		240		287		(47)	(16.4)
	$	77,771	$	68,297	$	9,474	13.9

*Refer to risks and uncertainties

Sales increased $9.5 million, or 13.9%, for the first quarter of 2014 as a result of strong market demand that increased sales prices for the majority of species including sea scallops, clams and shrimp and higher exchange rates. Higher catch rates for scallops and timing of landings for clams increased available supply

Lower catch rates for Argentine scallops and timing of landings for shrimp lowered available supply and partially offset the increase in sales.

Cost of Goods Sold

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013		Change	%
Harvesting and procurement	$	43,283	$	37,108	$	6,175	16.6
Manufacturing		6,483		6,397		86	1.3
Transportation		5,091		4,624		467	10.1
Depreciation		5,447		5,535		(88)	(1.6)
Administrative		2,887		2,881		6	0.2
	$	63,191	$	56,545	$	6,646	11.8

Cost of goods sold increased $6.6 million or 11.8% to $63.2 million primarily as a result of an increase in sales volumes for sea scallops and higher shore prices per pound for lobster.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear supplies, other costs and fees plus procured raw material costs for lobster, shrimp, scallops and crab. Excluding the increase in costs due to higher scallop sales volumes, , higher harvesting costs per pound for scallops and higher shore prices per pound for lobster, increased harvesting and procurement costs for the first quarter of 2014.

Lower sales volumes for Argentine scallops from a lack of available supply and lower harvesting costs for clams partially offset the increase in harvesting and procurement costs for the first quarter.

Fuel costs for our vessels declined $0.6 million for the first quarter of 2014 to $5.7 million as a result of a reduction in litres consumed by the clam vessels. Scheduled refits reduced our fishing effort and poor weather conditions delayed harvesting for clams during the first quarter of 2014. The decline was partially offset by an increase in average price per litre of fuel of $0.02. Clearwater's vessels used approximately 29.5 million litres of fuel in 2013. Based on 2013 fuel consumption, a one-cent per litre change in the price of fuel would impact harvesting costs by approximately $0.3 million.

Transportation costs include freight, customs and duties related to the transfer of goods to market. The increase in costs of $0.4 million was the result of a change in the markets in which products were shipped to in 2014.

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

Gross margin

Gross margin as a percentage of sales improved from 17.2% in the first quarter of 2013 to 18.7% for the same period of 2014, due to higher prices and favourable exchange rates. Strong demand provided higher sales prices for the majority of species and strengthening foreign exchange rates for the US dollar and the Euro against the Canadian dollar impacted positively on margins. Higher catch rates for sea scallops and timing of landings for clams, increased available supply which also contributed to the increase in total gross margin.

A lack of available supply from lower catch rates for Argentine scallops and timing of landings for shrimp partially offset the increase in margins. In addition higher harvesting costs for shrimp, scallops and higher shore prices for lobster partially offset the improvement in gross margin.

Gross margin was positively impacted by higher average foreign exchange rates[1]. Both the US dollar and the Euro strengthened against the Canadian dollar. The net impact on sales from all foreign exchange volatility was an increase in sales and gross margins of $5.9 million.

13 weeks ended	March 29, 2014		March 30, 2013		
Currency	% sales	Average rate realized	% sales	Average rate realized	Change in rate
US dollars	43.5%	1.105	45.0%	1.010	9.4%
Euros	21.7%	1.522	22.9%	1.333	14.2%
Japanese Yen	10.9%	0.011	7.4%	0.011	-0.9%
Danish Kroner	5.6%	0.203	7.8%	0.178	14.1%
UK pounds	3.4%	1.832	2.6%	1.563	17.2%
Canadian dollar and other	14.9%		14.3%		
	100.0%		100.0%		

1 – Refer to risks and uncertainties for further information

Administration and selling

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013		Change	%
Salaries and benefits	$	6,722	$	6,506	$	216	3.3
Share-based incentive compensation		316		1,246		(930)	(74.6)
Employee compensation		7,038		7,752		(714)	(9.2)
Consulting and professional fees		1,103		1,201		(98)	(8.2)
Other		963		801		162	20.2
Selling costs		632		513		119	23.2
Travel		556		569		(13)	(2.3)
Occupancy		359		330		29	8.8
Allocation to cost of goods sold		(3,068)		(3,003)		(65)	2.2
	$	7,583	$	8,163	$	(580)	(7.1)

Administration and selling declined approximately $0.6 million, or 7.1%, to $7.6 million for the first quarter of 2014 primarily as a result of a decline in share-based incentive compensation expense.

Salaries and benefits remained consistent with the first quarter of 2013.

Share-based incentive compensation is primarily driven by changes in Clearwater's share price, performance against Clearwater's peer group and the number of outstanding share based plans. During the first quarter of 2014, Clearwater's performance against its peer group remained strong, with the decline of $0.9 million a result of a change in Clearwater's trading price.

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 includes a variety of administrative expenses such as communication, computing, service fees, depreciation, gains or losses and write-down 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 13 weeks ended		March 29 2014		March 30 2013
Interest and bank charges	$	3,529	$	4,489
Amortization of deferred financing charges and accretion		189		367
Interest		3,718		4,856
Fair value adjustment on convertible debentures and embedded derivative		187		(513)
Foreign exchange and derivative contracts		17,458		2,957
Debt settlement and refinancing fees		-		29
	$	21,363	$	7,329

Interest declined $1.1 million for the first quarter of 2014 due to lower average interest rates on Clearwater's debt facilities. Clearwater redeemed its 7.25% Class D convertible debentures in the third quarter of 2013 and replaced them with new facilities that carry average annual interest rates that are under 5%.

The **fair value adjustment on the convertible debentures and embedded derivatives** represents the change in the estimated fair values. The increase of $0.7 million in 2014 primarily relates the difference between the fair value adjustment for the convertible debentures that refinanced in the second quarter of 2013 and the fair market value for the Libor interest rate floor in Clearwater's current term loan B debt facility.

Foreign exchange and derivative contracts

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013
Realized loss (gain)				
Foreign exchange contracts	$	2,616	$	(370)
Working capital and other		(406)		1,385
		2,210		1,015
Unrealized loss (gain)				
Foreign exchange on long term debt and other assets		9,309		2,033
Mark-to-market on foreign exchange contracts		5,697		(153)
Mark-to-market on interest swaps and caps		242		62
		15,248		1,942
	$	17,458	$	2,957

Foreign exchange and derivative losses[1] increased by $14.5 million to $17.5 million in the first quarter of 2014. The increase was primarily a result of non-cash unrealized losses of $5.7 million on foreign exchange contracts and $9.3 million on the translation of US dollar $200.0 million denominated debt as the US dollar and Euro strengthened against the Canadian dollar.

In addition strengthening foreign exchange rates for the US dollar and the Euro resulted in an increase in realized losses on settled contracts of $2.6 million from a gain of $0.4 million in the first quarter of 2013.

These realized losses related to payments made to settle foreign exchange contracts that matured during the first quarter of 2014. Clearwater's hedging program is designed to enable Clearwater to complete its annual planning cycle and remove uncertainty regarding exchange rates by locking in up to 75% of annual net foreign exchange exposure. Clearwater does this by entering into a series of foreign exchange contracts that mature throughout the fiscal year and that provide for a fixed exchange rate on sales receipts. In a rising exchange rate environment such as the one we are currently in where spot rates are higher than contract rates, Clearwater realizes higher exchange rates on sales but it is required to remit the excess of the spot rate received on sales receipts over the contract rate to the counterparty on the portion of sales that it has hedged.

Should the current environment of a stronger US dollar, Euro and Yen versus the Canadian dollar persist it would have a positive impact on 2014 sales but the hedging program would offset a portion of those gains and reduce the positive impact on Adjusted EBITDA. However, looking forward to 2015, Clearwater will likely realize the benefit of such higher rates as any future hedging contracts it enters into would be at rates closer to current spot rates.

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. Clearwater does not have any material near term maturing debt facilities and believes the current facilities are sufficient to execute the five year plan.

1 – Refer to risks and uncertainties

Other income

In 000's of Canadian dollars 13 weeks ended		March 29 2014		March 30 2013
Royalties, interest, and other fees		(405)		(415)
Share of loss of equity-accounted investee		258		226
Other fees		(175)		(117)
	$	(322)	$	(306)

Royalties, interest and other fees includes income related to quota rental, commissions, processing fees and other miscellaneous income and expense that vary based upon the operations of the business. The business of our equity-accounted investee is seasonal and it does not operate in the first quarter.

Research and Development

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

Income taxes

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

In the first quarter of 2014 Clearwater's deferred tax asset increased by $2.5 million, due to seasonal operating losses and unrealized foreign exchange losses incurred in the first quarter of 2014 which are expected to be used against taxable income to be realized in the second half of 2014. These deferred tax assets are being recognized based on management's estimate that Clearwater will earn sufficient taxable profit to utilities these losses.

Non-controlling interest

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

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, selling prices, weather, exchange rates, fuel and other input costs.

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

Clearwater's capital structure is as follows as at March 29, 2014 and December 31, 2013:

In 000's of Canadian dollars As at	March 29 2014	December 31 2013
Equity		
Common shares	$ 97,267	$ 64,780
Retained earnings	3,916	19,762
Cumulative translation account	(6,338)	(5,470)
	94,845	79,072
Non-controlling interest	22,268	24,669
	117,113	103,741
Long term debt		
Senior debt, non-amortizing		
Term loan, due in 2014	11,059	10,642
Term loan, due in 2091	3,500	3,500
	14,559	14,142
Senior debt, amortizing		
Term Loan A, due 2018	29,700	29,700
Delayed Draw term Loan A, due 2018 (net of deferred financing charges of $0.6 million)	(608)	(608)
Term Loan B, due 2019 (including embedded derivative)	220,723	211,901
Marine mortgage, due in 2017	1,873	1,785
Other loans	388	405
	252,076	243,183
Total long term debt	266,635	257,325
Total capital	$ 383,748	$ 361,066

There are 54,978,098 shares outstanding as of March 29, 2014 (December 31, 2013 - 50,948,698).

On February 4, 2014, Clearwater completed the issuance to the public, on a bought deal basis, of 4,029,400 common shares of the Company. The shares were issued at a price of $8.50 per Share, for gross proceeds to Clearwater of approximately $34 million. The proceeds of the offering will be used to fund growth opportunities and general working capital.

On June 26, 2013, Clearwater completed an approximately $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 reduced Clearwater's annual interest costs by 1.75 percentage points to 4.75% or an estimated $2.6 million annually.

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
- the 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:

- CAD $29.7 million Term loan A due June 2018,
- USD $200 million Term loan B due June 2019,
- CAD $45 million Delayed Term Loan draw due June 2018,
- CAD $75 million Revolving loan due June 2018, and
- Equivalent of CAD $1.9 million marine mortgage that matures in June 2017.

The revolving loan allows Clearwater to borrow a maximum of CDN $75.0 million (denominated in either Canadian or the US dollar equivalent) and it matures in June 2018. The balance was $nil at March 29, 2014 (December 31, 2013 - $nil). The CDN balances bear interest at the banker's acceptance rate plus 3.25%. The USD balances bear interest at the US Libor rate plus 3.25%. The loan has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of CDN $25.0 million. The availability on this loan is reduced by the amount outstanding on a US $10 million non-amortizing term loan and as such the availability as at March 29, 2014 was $64.4 million (December 31, 2013 - $64.4 million).

The term loan A has principal outstanding as at March 29, 2014 of CDN $29.7 million (December 31, 2013 – CDN $29.7 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 March 29, 2014 of CDN $nil (December 31, 2013 - $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%. Clearwater has entered into swap arrangements whereby:

- CDN $12 million of this loan is subject to a fixed interest rate of 5.38% until December 31, 2015 after which it is subject to an interest rate that is the lessor of the floating rate of interest on the loan or a maximum fixed rate of interest of 6%.

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

Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

The principal outstanding on the term loan B as at March 29, 2014 was USD $199.0 million (December 31, 2013 – USD $199.0 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 March 29, 2014 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. Clearwater has entered into swap arrangements whereby USD $50 million of the debt is capped to December 31, 2015 at an interest rate of 4.75% and then the rate is fixed at 6.15% to June 2019. Clearwater accounts for these swap arrangements and the change in market value through profit and loss.

During the third quarter of 2013 Clearwater's Argentine subsidiary borrowed USD $10.0 million to fund conversion of a vessel for use in the Argentine scallop fishery. This loan bears interest at 6% per year with interest payable monthly and the principal is 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 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 free cash flows and dividends.

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** - As of March 29, 2014 Clearwater had $43.0 million in cash, and a $75 million revolving loan, of which $64.4 million was available. The cash balance, together with available credit on the revolving loan, is used to manage seasonal working capital demands, capital expenditures, and other commitments. Clearwater's operations experience a predictable seasonal pattern in which sales, margins and adjusted EBITDA are higher in the second half of the year whereas investments in capital expenditures and working capital are lower, resulting in higher free cash flows and lower leverage in the second half of the year. This typically results in lower free cash flow, higher debt balances and higher leverage in the first half of the year. Clearwater is satisfied that it has ample liquidity to execute its business plan.

- **Leverage[1] -** Clearwater has a long-term leverage target of 3.0x or lower of net debt to adjusted EBITDA. Periodically, the ratio may be higher due to planned investments, or lower due to seasonally but over time Clearwater intends to manage to this ratio. As of March 29, 2014 leverage increased to 2.8x adjusted EBITDA from 2.7x as of December 31, 2013.

1 - Refer to definitions

In 000's of Canadian dollars As at	March 29 2014	December 31 2013	March 30 2013
Adjusted EBITDA[1]	$ 78,515	$ 79,103	$ 72,109
Debt (net of deferred financing charges of $0.6 million (December 31, 2013 - $0.6 million) (March 30, 2013 - $4.1 million))	266,635	257,325	245,130
Less cash	(42,954)	(46,793)	(15,635)
Net debt	223,681	210,532	229,495
Leverage	2.8	2.7	3.2

1 - Adjusted EBITDA is a rolling twleve month period. Refer to discussion of non-IFRS measures and definition of Adjusted EBITDA

- **Foreign Exchange Management**[2] –

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

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

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

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

As of May 2, 2014 Clearwater had forward exchange contracts to be settled in 2014 of:

- US dollar $88.0 million at an average rate of 1.06;
- 2.0 billion Yen at an average rate of .011; and
- 40.0 million Euro at an average rate of 1.38.

In addition Clearwater had forward exchange contracts to be settled in 2015 of:

- US dollar $14.5 million at an average rate of 1.11;
- 212.0 million Yen at an average rate of .011; and
- 8.0 million Euro at an average rate of 1.53.

The US dollar forwards include US dollars $28.0 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 to 50.0% of the excess.

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

- **Free cash flows[1]-** 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 invest in growth investments. Clearwater's goal is to grow free cash flows such that it can fund growth, Maintain leverage of around 3x EBITDA and pay a sustainable dividend to its shareholders.

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

Free cash flows	13 weeks ended March 29, 2014	March 30, 2013	12 month Rolling March 29, 2014	March 30, 2013
Adjusted EBITDA	10,224	10,812	78,515	72,109
Less:				
Cash interest	(3,529)	(4,489)	(15,357)	(19,438)
Cash taxes	(739)	(465)	(2,087)	(1,158)
Other income and expense items	1,991	(447)	1,579	(12,994)
Operating cash flow before changes in working capital	**7,947**	**5,410**	**62,650**	**38,518**
Change in working capital	1,253	(12,476)	8,280	(4,316)
Cash flows from operating activities	**9,200**	**(7,066)**	**70,930**	**34,202**
Uses of cash:				
Purchase of property, plant, equipment, quota and other assets	(40,401)	(2,797)	(61,418)	(14,008)
Disposal of fixed assets	-	105	873	105
Less: Designated borrowings[1]	33,479	-	41,179	2,056
Scheduled payments on long-term debt	(16)	(128)	(3,121)	(5,437)
Dividends received from joint venture	1,490	-	2,730	1,740
Distributions to non-controlling interests	(4,634)	(4,463)	(11,585)	(9,579)
Free cash flows	**(882)**	**(14,349)**	**39,588**	**9,079**
Add/(less):				
Other debt borrowings (repayments) of debt, use of cash[2]	(35,131)	(11,109)	(44,781)	(2,285)
Issuance of equity	32,486	-	32,486	-
Other investing activities	(658)	(266)	(1,110)	259
Change in cash flows for the period	(4,185)	(25,723)	26,184	7,053

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

2 - Other debt borrowing (repayments) of debt, use of cash for the first quarter of 2014 includes $33.5 million of cash invested in designated capital projects less $1.4 million of dividends paid.

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 twelve months of 2014 increased from $9.1 million at March 30, 2013 to $40.0 million at March 29, 2014 as a result of strong improvements in cash flows from operating activities before changes in working capital. Improvements were a result of a strong and growing market demand that improved sales prices for the majority of species and strong sales volumes for scallops. Improvements in cash flow from operations were partially offset by higher capital expenditures (net of designated borrowings) from scheduled refits and vessel conversions, and the timing of payments to minority interest partners.

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

	13 weeks ended		12 month rolling	
	March 29	March 30	March 29	March 30
In 000's of Canadian dollars	2014	2013	2014	2013
(Increase) decreases in inventory	(222)	444	2,079	2,825
Increases (decreases) in accounts payable	2,575	(17,204)	11,437	(6,402)
Increases (decrease) in accounts receivable	(1,583)	3,019	(5,073)	(1,691)
Decreases (increase) in prepaids	483	1,265	(163)	952
	$ 1,253	$ (12,476)	$ 8,280	$ (4,316)

Working capital for the rolling twelve months ending March 29, 2014, improved $12.6 million from a use of cash of $4.3 million for the same period of 2013 to an increase in cash of $8.3 million for 2014. The improvement in cash was primarily a result of timing in payments in accounts payable, partially offset by timing in collections for receivables and higher sales revenues in the quarter.

Investments in capital expenditures in the first quarter of 2014 of $40.4 million primarily resulted from the construction of the clam vessel.

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 supply and production plans versus sales forecasts, and through continuous improvements in the integration of its fleet and sales plans.

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

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

In June 2013 the Company announced the planned investment in a third vessel for its clam business. Clearwater plans to invest up to $51 million (including interest) on the project. A suitable hull has been sourced and the work has commenced in the first quarter of 2014. Management expects to complete conversion work and enter the new vessel into service in mid 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.

In 2014 Clearwater expects significant growth investments of approximately $85 million in capital assets, of which $38 million relates to the construction of the clam vessel, $15 million relates to the late life extension of a shrimp vessel, $12 million relates to the conversion of a vessel to harvest bay scallops, $14.5 million relates to maintenance capital investments and $5.5 million relates to various investments to improve operational efficiencies.

- **Dividends** – On November 1, 2013 Clearwater announced the initiation of an annual dividend of $0.10 per share, payable in quarterly installments of $0.025 per share and on December 13, 2013 it made the first quarterly dividend payment.

  Consistent with that announcement, today the Board of Directors approved a quarterly dividend of CAD$0.025 per share payable on May 28, 2014 to shareholders of record on May 14, 2014.

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

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

  The Board is satisfied with current dividend levels

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

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 liquidity and financial resources to execute on its strategy and business plan.

OUTLOOK

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

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

The supply of wild seafood is limited and is expected to continue to lag behind the growing global demand. This supply-demand imbalance has created a 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.

With the exception of the last six months, all of our growth and increased profitability over the last 4 years has occurred during a period of:

- Significantly unfavorable foreign exchange relative to most of the major currencies we sell in;
- Weak economic conditions in many/most of our major markets including Europe, USA and Japan; and
- A weak environment for global trade.

To this point our largest tailwind has been global demand and increasing per capita consumption in the face of limited supply (the scarcity factor). We are now operating in a much more favorable economic environment for Canadian exporters, providing further tailwinds.

We posted strong sales results across our portfolio of sustainably harvested, wild caught seafood during the first quarter of 2014 and are maintaining our annual financial targets. Also, during the quarter we continued to invest and advance several major capital projects that are key to sustaining our long term growth, profitability and competitive advantage.

For 2014 Clearwater has the following annual targets:

- sales growth – 5% or greater,
- adjusted EBITDA margins – 18% or greater,
- Free cash flow growth – 5% or greater
- Leverage – 3x or lower
- return on assets - 12% or higher

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 2013 approximately 49.1% of Clearwater's sales were denominated in US dollars. Based on 2013 sales, a change of 0.01 in the U.S. dollar rate converted to Canadian dollars would result in a $1.8 million change in sales and gross profit. Approximately 21.5% of 2013 sales were denominated in Euros, based on 2013 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, 8.0% of sales in 2013 were denominated in Japanese Yen, based on 2013 annual sales, a change of 0.001 in the Yen rate as converted to Canadian dollars would result in a change of $3.0 million in sales and gross profit.

As of May 2, 2014 Clearwater had approximately 53% of its US Dollar, Euro and Yen exposures for 2014 hedged at rates of 1.06, 1.38 and 0.011 respectively.

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 in 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.

Other risks

Clearwater plans to invest approximately $5.5 million in 2014 as part of a $9 million project related to in the implementation of a new enterprise resource planning system ("ERP") to support improved decision making capabilities. We recognize that the integrity and reliability of information in all its forms are critical. Inaccurate, incomplete or unavailable information could lead to incorrect financial reporting, and poor decision making. The implementation of the ERP and all major information technology projects are managed by a change management and governance process. Clearwater has an ERP team staffed with knowledgeable internal and external resources that is responsible for implementing the various key initiatives.

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

CRITICAL ACCOUNTING POLICIES

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

Financial Reporting Controls and Procedures

Clearwater has established and maintains disclosure controls and procedures over financial reporting, as defined under the rules adopted by the Canadian Securities Regulators in instrument 52-109. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated the design and effectiveness of Clearwater's disclosure controls and procedures as of December 31, 2013 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, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its report "Internal Control – Integrated Framework (2013)". This evaluation included reviewing controls in key risk areas, assessing the design of these controls, testing these controls to determine their effectiveness, reviewing the results and then developing an overall conclusion. Based on management's evaluation, the CEO and the CFO have concluded that, as at December 31, 2013, 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 January 1, 2014 to March 29, 2014, 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: Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32, Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 and IFRIC 21 - Levies.

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities. These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement to qualify for offsetting. These amendments had no impact on Clearwater.

Amendments to IAS 36 - Recoverable Amount Disclosures for Non-Financial Assets. These amendments remove the unintended consequences of IFRS 13 - Fair Value Measurement on the disclosures required under IAS 36 - Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognized or reversed during the period. These disclosure requirements will be considered when Clearwater performs its annual impairment testing in the third quarter of 2014, but no impact is anticipated.

IFRIC 21 – Levies. This Interpretation addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*. It also addresses the accounting for a liability to pay a levy whose timing and amount is certain. There was no impact on Clearwater.

Related Party Transactions

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. In 2013 Clearwater charged CFFI management and other fees for finance and administration services provided to CFFI by certain Clearwater staff. These fees apportion the salaries of the individuals providing the services based on estimated time spent.

Clearwater had the following transactions and balances with CFFI, for the period ended March 29, 2014 and March 30, 2013:

13 weeks ended		**March 29, 2014**		March 30, 2013
Opening balance due from CFFI	**$**	**1,524**	$	1,596
Management and other fees charged to CFFI		**-**		122
Rent and IT service fees charged to CFFI		**46**		46
Interest on intercompany account		**19**		19
Payments from CFFI		**(300)**		(200)
Other charges to CFFI		**22**		19
	$	**1,311**	$	1,602

The amount due from CFFI is unsecured and due on demand. As such the account has been classified as a current asset included in prepaids and other. The balance bears interest at a rate of 5%.

Clearwater expensed approximately $0.01 million for vehicle leases for the 13 weeks ended March 29, 2014 (March 30, 2013 - $0.02 million) and approximately $0.03 million for other services for the 13 weeks ended March 29, 2014 (March 30, 2013 - $0.01 million) by companies related to its parent. The transactions are recorded at the exchange amount and the balance due to these companies was $ nil million as at March 29, 2014 (December 31, 2013 - $0.01 million)

Clearwater recorded sales commissions and storage fees to a non-controlling interest in a consolidated partnership. These sales commissions and storage fees are at prevailing market prices and are settled on normal trade terms. Sales commissions for the 13 weeks ended March 29, 2014 are $0.5 million (March 30, 2013 - $0.5 million). Storage fees for the 13 weeks ended March 29, 2014 are $0.4 million (March 30, 2013 - $0.4 million).

At March 29, 2014 Clearwater had a balance of $8.9 million (December 31, 2013 - $8.8 million), included in long term receivables, for interest and non interest bearing advances and loans made to a non-controlling interest shareholder in a subsidiary.

Commitments

In the normal course of business, the Clearwater is obligated to make future payments, including contractual obligations for non-derivative and derivative financial instruments, operating leases and other commitments. Clearwater has included these items in the commitments section of its 2013 annual MD&A, which section is herein incorporated by reference. The table includes undiscounted cash flows of financial liabilities, operating lease and other commitments, interest and principal cash flows based on the earliest date on which Clearwater is required to pay. Since December 31, 2013, there have been no material changes to amounts presented or expectations in the commitment schedule included in the 2013 annual MD&A.

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2014				
Sales	$ 77,771			
Loss	(12,144)			
Loss per share ("EPS")	(0.27)			
Diluted loss per share[1]	(0.27)			
Fiscal 2013				
Sales	$ 68,297	$ 95,368	$113,982	111,012
Earnings (loss)	(1,762)	(9,866)	27,224	(298)
Earnings (loss) per share ("EPS")	(0.06)	(0.24)	0.48	(0.06)
Diluted earnings (loss) per share[1]	(0.06)	(0.24)	0.47	(0.06)
Fiscal 2012				
Sales	$ 70,878	$ 84,926	$101,553	$ 92,945
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[1]	(0.09)	(0.08)	0.27	0.15

1 - Diluted earnings (loss) per share are anti-dilutive for all periods except September 28, 2013, September 29, 2012, 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 highest revenues in the third quarter of 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 first quarter of 2014 include unrealized foreign exchange losses of $15.2 million on translation of long term debt and marking forward contracts to market.

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

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

NON- IFRS MEASURES, DEFINITIONS AND RECONCILIATIONS

Gross margin

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

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

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

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

Reconciliation of earnings to adjusted EBITDA for the 13 weeks ended, and the rolling twelve months ended March 29, 2014 and March 30, 2013 is as follows:

		13 weeks ended				12 month rolling ended		
		March 29 2014		March 30 2013		March 29 2014		March 30 2013
(Loss) earnings	$	(12,144)	$	(1,762)	$	4,915	$	23,869
Add (deduct):								
Income taxes		(2,192)		(1,915)		(8,378)		(7,479)
Taxes and depreciation for equity investment		(120)		(94)		926		(95)
Depreciation and amortization		5,531		5,638		24,071		22,974
Interest on long-term debt and bank charges		3,718		4,856		16,170		20,757
		(5,207)		6,723		37,704		60,026
Add (deduct) other items:								
Unrealized foreign exchange and derivative loss (income)		15,248		1,942		24,793		(379)
Fair market value on long term debt		187		(513)		(1,009)		(850)
Realized foreign exchange on working capital		(406)		1,385		1,795		3,082
Restructuring and refinancing costs		86		29		10,699		6,620
Stock based compensation		316		1,246		4,931		3,610
Gain on disposal of assets and quota		-		-		(398)		-
Adjusted EBITDA	**$**	**10,224**	**$**	**10,812**	**$**	**78,515**	**$**	**72,109**
Adjusted EBITDA attributable to:								
Non-controlling interests	$	3,662	$	2,616	$	15,067	$	11,718
Shareholders of Clearwater		6,562		8,196		63,448		60,391
	$	**10,224**	**$**	**10,812**	**$**	**78,515**	**$**	**72,109**

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.

Reconciliation of adjusted EBITDA to debt (net of deferred financing charges) for the rolling twelve months ended March 29, 2014, December 31, 2013 and March 30, 2013 is as follows:

In 000's of Canadian dollars As at	March 29 2014	December 31 2013	March 30 2013
Adjusted EBITDA[1]	$ 78,515	$ 79,103	$ 72,109
Debt (net of deferred financing charges of $0.6 million (December 31, 2013 - $0.6 million) (March 30, 2013 - $4.1 million))	266,635	257,325	245,130
Less cash	(42,954)	(46,793)	(15,635)
Net debt	223,681	210,532	229,495
Leverage	2.8	2.7	3.2

1 - Adjusted EBITDA is a rolling twleve month period. Refer to discussion of non-IFRS measures and definition of Adjusted EBITDA

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 weeks ended and the rolling twelve months ended March 29, 2014 and March 30, 2013 is as follows:

Free cash flows	13 weeks ended March 29, 2014	13 weeks ended March 30, 2013	12 month Rolling March 29, 2014	12 month Rolling March 30, 2013
Adjusted EBITDA	10,224	10,812	78,515	72,109
Less:				
Cash interest	(3,529)	(4,489)	(15,357)	(19,438)
Cash taxes	(739)	(465)	(2,087)	(1,158)
Other income and expense items	1,991	(447)	1,579	(12,994)
Operating cash flow before changes in working capital	**7,947**	**5,410**	**62,650**	**38,518**
Change in working capital	1,253	(12,476)	8,280	(4,316)
Cash flows from operating activities	**9,200**	**(7,066)**	**70,930**	**34,202**
Uses of cash:				
Purchase of property, plant, equipment, quota and other assets	(40,401)	(2,797)	(61,418)	(14,008)
Disposal of fixed assets	-	105	873	105
Less: Designated borrowings[1]	33,479	-	41,179	2,056
Scheduled payments on long-term debt	(16)	(128)	(3,121)	(5,437)
Dividends received from joint venture	1,490	-	2,730	1,740
Distributions to non-controlling interests	(4,634)	(4,463)	(11,585)	(9,579)
Free cash flows	**(882)**	**(14,349)**	**39,588**	**9,079**
Add/(less):				
Other debt borrowings (repayments) of debt, use of cash[2]	(35,131)	(11,109)	(44,781)	(2,285)
Issuance of equity	32,486	-	32,486	-
Other investing activities	(658)	(266)	(1,110)	259
Change in cash flows for the period	(4,185)	(25,723)	26,184	7,053

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

2 - Other debt borrowing (repayments) of debt, use of cash for the first quarter of 2014 includes $33.5 million of cash invested in designated capital projects less $1.4 million of dividends paid.

Return on Assets

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

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

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended March 29, 2014 and March 30, 2013 is as follows:

In (000's) of Canadian dollars **Rolling 12 months ended** **Return on Assets**	**March 29, 2014**	**March 30, 2013**
Adjusted EBITDA	78,515	72,109
Depreciation and amoritzation	23,949	22,871
Adjusted earnings before interest and taxes	54,566	49,238
Total Assets	441,320	380,607
	12.4%	12.9%

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 March 29, 2014, the unaudited condensed consolidated interim Statement of Financial Position as at December 31, 2013 and the unaudited condensed consolidated interim statements of loss, other comprehensive loss, shareholders' equity, and cash flows for the 13 weeks ended March 29, 2014 and March 30, 2013. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 29, 2014 and March 30, 2013 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)

		March 29, 2014		December 31, 2013
ASSETS				
Current assets				
Cash	**$**	**42,954**	$	46,793
Trade and other receivables		**45,498**		43,702
Inventories		**46,521**		46,987
Prepaids and other		**5,595**		6,291
Derivative financial instruments (Note 5)		**138**		1,466
		140,706		145,239
Non-current assets				
Long term receivables		**7,527**		6,656
Other assets		**409**		296
Property, plant and equipment		**160,536**		126,451
Licences and fishing rights		**100,206**		101,467
Investment in equity investee		**2,953**		4,701
Deferred tax assets		**21,940**		18,943
Goodwill		**7,043**		7,043
		300,614		265,557
TOTAL ASSETS	**$**	**441,320**	$	410,796
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**43,643**	$	40,760
Income tax payable		**1,072**		648
Current portion of long-term debt (Note 4)		**14,830**		14,297
Derivative financial instruments (Note 5)		**11,541**		6,869
		71,086		62,574
Non-current liabilities				
Long-term debt (Note 4)		**251,805**		243,028
Deferred tax liabilities		**1,316**		1,453
		253,121		244,481
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		**97,267**		64,780
Retained earnings		**3,916**		19,762
Cumulative translation account		**(6,338)**		(5,470)
		94,845		79,072
Non-controlling interest		**22,268**		24,669
		117,113		103,741
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**$**	**441,320**	$	410,796

See accompanying notes to condensed consolidated interim financial statements

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

13 weeks ended		March 29, 2014		March 30, 2013
Sales	**$**	**77,771**	$	68,297
Cost of goods sold		**63,191**		56,545
		14,580		11,752
Administrative and selling		**7,583**		8,163
Net finance costs (Note 5(d))		**21,363**		7,329
Other income		**(322)**		(306)
Research and development		**292**		243
		28,916		15,429
Loss before income taxes		**(14,336)**		(3,677)
Income tax recovery		**(2,192)**		(1,915)
Loss for the period	**$**	**(12,144)**	$	(1,762)
(Loss) earnings attributable to:				
Non-controlling interest	**$**	**2,328**	$	1,488
Shareholders of Clearwater		**(14,472)**		(3,250)
	$	**(12,144)**	$	(1,762)
Basic and diluted loss per share (Note 6)	$	(0.27)	$	(0.06)

See accompanying notes to condensed consolidated interim financial statements

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

13 weeks ended		March 29, 2014		March 30, 2013
Loss for the period	**$**	**(12,144)**	$	(1,762)
Other comprehensive loss -				
Items that may be reclassified subsequently to loss:				
Foreign currency translation differences of foreign operations		**(1,085)**		(157)
Total comprehensive loss for the period	**$**	**(13,229)**	$	(1,919)
Total comprehensive (loss) income attributable to:				
Non-controlling interest	**$**	**2,111**	$	1,488
Shareholders of Clearwater		**(15,340)**		(3,407)
	$	**(13,229)**	$	(1,919)

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	Cumulative translation account	Non-controlling interest	Total
Balance at January 1, 2013	**$ 64,867**	**$ 14,616**	**$ (3,866)**	**$ 27,495**	**$ 103,112**
Total comprehensive loss for the period	-	(3,250)	(157)	1,488	(1,919)
Transactions recorded directly in equity					
Distributions to non-controlling interest	-	-	-	(4,601)	(4,601)
Total transactions with owners	-	-	-	(4,601)	(4,601)
Balance at March 30, 2013	**$ 64,867**	**$ 11,366**	**$ (4,023)**	**$ 24,382**	**$ 96,592**
Total comprehensive income for the period	-	9,583	(1,447)	7,477	15,613
Transactions recorded directly in equity					
Distributions to non-controlling interest	-	-	-	(7,190)	(7,190)
Dividends declared on common shares	-	(1,274)	-	-	(1,274)
Redemption of 2014 convertible debentures	(87)	87	-	-	-
Total transactions with owners	(87)	(1,187)	-	(7,190)	(8,464)
Balance at December 31, 2013	**$ 64,780**	**$ 19,762**	**$ (5,470)**	**$ 24,669**	**$ 103,741**
Total comprehensive loss for the period	-	(14,472)	(868)	2,111	(13,229)
Transactions recorded directly in equity					
Issuance of common shares	32,487	-	-	-	32,487
Distributions to non-controlling interest	-	-	-	(4,512)	(4,512)
Dividends declared on common shares	-	(1,374)	-	-	(1,374)
Total transactions with owners	32,487	(1,374)	-	(4,512)	26,601
Balance at March 29, 2014	**$ 97,267**	**$ 3,916**	**$ (6,338)**	**$ 22,268**	**$ 117,113**

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		**March 29, 2014**		**March 30, 2013**
Operating				
Loss for the period	**$**	**(12,144)**	$	(1,762)
Adjustments for:				
Depreciation and amortization		**5,656**		5,874
Net finance costs		**19,153**		6,322
Income tax recovery		**(2,192)**		(1,915)
Share-based compensation		**316**		1,246
Gain on disposal of property, plant, and equipment, and other		**-**		(85)
Loss in equity investee		**258**		226
Foreign exchange and other		**841**		121
		11,888		10,027
Change in operating working capital (Note 10)		**(1,602)**		(11,431)
Interest paid		**(674)**		(5,534)
Income tax paid		**(412)**		(128)
	$	**9,200**	$	(7,066)
Financing				
Repayment of long-term debt		**(16)**		(11,208)
Payment of debt issue costs		**-**		(29)
Net proceeds from common share issue		**32,487**		-
Distributions paid to non-controlling interest		**(4,913)**		(4,644)
Dividends paid on common shares		**(1,374)**		-
	$	**26,184**	$	(15,881)
Investing				
Purchase of property, plant, equipment, and other	**$**	**(40,401)**	$	(2,797)
Proceeds on disposal of property, plant, equipment, and other		**-**		105
Dividends received from equity investee		**1,490**		-
Purchase of other assets		**(65)**		(23)
Net advances in long term receivables		**(593)**		(61)
	$	**(39,569)**	$	(2,776)
DECREASE IN CASH	**$**	**(4,185)**	$	(25,723)
CASH, BEGINNING OF PERIOD		**46,793**		41,504
Effect of foreign exchange rate changes on cash		**346**		(146)
CASH, END OF PERIOD	**$**	**42,954**	$	15,635

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 March 29, 2014 and December 31, 2013 and for the 13 weeks ended March 29, 2014 and March 30, 2013 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, 2013 (included in Clearwater's 2013 Annual Report) which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

The financial statements were authorized for issue by Clearwater's Board of Directors on May 2, 2014.

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, 2013 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, 2014. These changes were made in accordance with the applicable transitional provisions.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on Clearwater.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognized or reversed during the period. These disclosure requirements will be considered when Clearwater performs its annual impairment testing in the third quarter of 2014, however no impact is expected.

IFRIC 21 – Levies

The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payments, as identified by the relevant legislation, occurs. The interpretation had no impact on Clearwater.

(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, 2013, (refer to Note 2(d) of the 2013 annual audited consolidated financial statements) with the exception of changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim periods are accrued using the effective annual income tax rate.

3. SEASONALITY

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

(In thousands of Canadian dollars)

4. LONG TERM DEBT

		March 29, 2014		December 31, 2013
Term loans (b)				
Term loan A, due June 2018	$	**29,700**	$	29,700
Delayed draw term loan A, due June 2018		**(608)**		(608)
Term loan B, due June 2019		**215,644**		207,197
Term loan B, embedded derivative		**5,079**		4,704
Term loan, due August 2014 (c)		**11,059**		10,642
Marine mortgage, due in 2017 (d)		**1,873**		1,785
Term loan, due in 2091 (e)		**3,500**		3,500
Other loans		**388**		405
		266,635		257,325
Less: current portion		**(14,830)**		(14,297)
	$	**251,805**	$	243,028

(a) Clearwater has a CDN $75.0 million revolving facility that matures in June 2018. The facility can be denominated in Canadian and US dollars. As at March 29, 2014 the balances are CDN $ nil (December 31, 2013 - $ nil) and USD of $ nil (December 31, 2013 - $ 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 March 29, 2014 this results in effective rates of 4.44% for CDN balances and 3.48% for USD balances. The facility has a provision that, subject to certain conditions, allows Clearwater to expand the facility by a maximum of CDN $25.0 million. The availability of this facility is reduced by the term loan outstanding in note (c), as such the balance available as at March 29, 2014 is $63.9 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 March 29, 2014 is CDN $29.7 million (December 31, 2013 - $29.7 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 March 29, 2014 this resulted in an effective rate of 4.44%.

Delayed Draw Term Loan A - The principal outstanding as at March 29, 2014 is CDN $ nil (December 31, 2013 - $ nil). The balance is shown net of deferred financing charges of CDN $0.6 million. The facility is repayable in quarterly installments of 1.25% of the principal amount drawn under the facility with repayment to begin in the first quarter after the final draw on the facility. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%.

(In thousands of Canadian dollars)

Term Loan B - The principal outstanding as at March 29, 2014 is USD $199.0 million (December 31, 2013 - $199.0 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 March 29, 2014 this resulted in an effective rate of 4.75%. The facility 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 interest 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 0% 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 starting for the year ended December 31, 2014 based on the previous fiscal year's results upon approval of the annual financial statements. Payments are allocated amongst the term loans on a pro rata basis.

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

(c) Term Loan - The principal outstanding as at March 29, 2014 is USD $10.0 million (December 31, 2013 - $10.0 million). The loan is held through a Clearwater subsidiary. The loan is non amortizing, repayable at maturity in August 2014 and bears interest payable monthly at 6.0%. The loan is secured by a marine vessel. Clearwater provides a guarantee on the term loan.

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

	March 29, 2014	**December 31, 2013**
YEN	**99,224**	99,224
DKK	**3,957**	3,957
CDN	**-**	-

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

(In thousands of Canadian dollars)

	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%.

(In thousands of Canadian dollars)

5. FINANCIAL INSTRUMENTS

Summary of derivative financial instrument position

	March 29, 2014	December 31, 2013
Derivative financial assets		
Forward foreign exchange contracts	$ -	$ 1,297
Interest rate cap contracts	**138**	169
	$ 138	$ 1,466
Derivative financial liabilities		
Forward foreign exchange contracts	**(11,161)**	(6,694)
Interest rate swap contracts	**(380)**	(175)
	$ (11,541)	$ (6,869)

(a) At March 29, 2014 Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Average Contract Exchange Amount	Weighted average months to maturity	Fair Value (Liability)
Sell:				
Euro	42,500	1.375	5	$ (6,380)
USD	94,500	1.053	5	(4,546)
Yen	2,090,000	0.011	5	(235)
				$ (11,161)

At December 31, 2013, Clearwater had outstanding forward contracts as follows:

Currency	Notional Amount (in 000's)	Average Contract Exchange Amount	Weighted average months to maturity	Fair Value Asset (Liability)
Sell:				
Yen	2,670,000	0.011	7	$ 1,297
Sell:				
USD	113,000	1.046	7	$ (1,598)
Euro	52,000	1.372	7	(5,096)
				$ (6,694)

Certain of the USD (March 29, 2014 - $15.0 million) (December 31, 2013 - $39.5 million) and Euro (March 29, 2014 - $ nil million) (December 31, 2013 - $2.0 million) forward contracts contain provisions that subject to the spot rate being greater than the contract rate adjust the contract rate by 50% (December 31, 2013 -50%) of the excess of the spot rate over the contract rate at maturity.

(In thousands of Canadian dollars)

(b) At March 29, 2014 Clearwater had interest rate cap and swap contracts outstanding as follows:

	Effective Date	Expiry Date	Contracted capped interest rate	Currency	Notional Amount (in 000's)		Fair Value Asset
Term Loan A - Interest rate cap	March 2014	December 2015	4.50%	CAD	12,000	$	45
Term Loan A - Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000		46
Term Loan B - Interest rate cap	March 2014	December 2015	4.75%	USD	50,000		47
						$	138

	Effective Date	Expiry Date	Contracted fixed interest rate	Currency	Notional Amount (in 000's)		Fair Value (Liability)
Term Loan A - Interest rate swap	December 2013	December 2015	5.38%	CAD	12,000	$	(166)
Term Loan A - Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000		(95)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000		(119)
						$	(380)

(c) At December 31, 2013 Clearwater had an interest rate cap and swap contract outstanding as follows:

	Effective Date	Expiry Date	Contracted capped interest rate	Currency	Notional Amount (in 000's)		Fair Value Asset
Term Loan A - Interest rate cap	December 2015	June 2018	6.25%	CAD	12,000	$	169

	Effective Date	Expiry Date	Contracted fixed interest rate	Currency	Notional Amount (in 000's)		Fair Value (Liability)
Term Loan A - Interest rate swap	December 2013	December 2015	5.38%	CAD	12,000	$	(175)

(In thousands of Canadian dollars)

(d) Net finance costs

13 weeks ended		March 29, 2014		March 30, 2013
Interest expense on financial liabilities	**$**	**3,529**	$	4,489
Amortization of deferred financing charges and accretion		**189**		367
		3,718		4,856
Fair value adjustment on convertible debentures and embedded derivative		**187**		(513)
Foreign exchange and derivative contracts		**17,458**		2,957
Debt settlement and refinancing fees		**-**		29
	$	**21,363**	$	7,329

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

13 weeks ended		March 29, 2014		March 30, 2013
Realized loss (gain)				
Foreign exchange contracts	**$**	**2,616**	$	(370)
Working capital and other		**(406)**		1,385
		2,210		1,015
Unrealized loss (gain)				
Foreign exchange on long term debt and other assets		**9,309**		2,033
Mark-to-market on foreign exchange contracts		**5,697**		(153)
Mark-to-market on interest rate swaps and caps		**242**		62
		15,248		1,942
	$	**17,458**	$	2,957

(In thousands of Canadian dollars)

(f) Fair value of financial instruments

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

	Fair Value		Amortized cost		Total	
March 29, 2014	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Asset :						
Cash	$ 42,954	$ -	$ -	$ -	**$ 42,954**	**$ 42,954**
Trade and other receivables	-	-	45,498	-	**45,498**	**45,498**
Long term receivables	-	-	7,527	-	**7,527**	**7,527**
Interest rate caps	-	138	-	-	**138**	**138**
	$ 42,954	$ 138	$ 53,025	$ -	**$ 96,117**	**$ 96,117**
Liabilities:						
Trade and other payables (1)	$ -	$ -	$ -	$ (36,334)	**$ (36,334)**	**$ (36,334)**
Long-term debt	-	-	-	(261,556)	**(261,556)**	**(261,300)**
Forward foreign exchange contracts	-	(11,161)	-	-	**(11,161)**	**(11,161)**
Embedded derivative	-	(5,079)	-	-	**(5,079)**	**(5,079)**
Interest rate swaps	-	(380)	-	-	**(380)**	**(380)**
	$ -	$ (16,620)	$ -	$ (297,890)	**$ (314,510)**	**$ (314,254)**

	Fair Value		Amortized cost		Total	
December 31, 2013	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Asset :						
Cash	$ 46,793	$ -	$ -	$ -	**$ 46,793**	**$ 46,793**
Trade and other receivables	-	-	43,702	-	**43,702**	**43,702**
Long term receivables	-	-	6,656	-	**6,656**	**6,656**
Forward foreign exchange contracts	-	1,297	-	-	**1,297**	**1,297**
Interest rate cap	-	169	-	-	**169**	**169**
	$ 46,793	$ 1,466	$ 50,358	$ -	**$ 98,617**	**$ 98,617**
Liabilities:						
Trade and other payables (1)	$ -	$ -	$ -	$ (33,766)	**$ (33,766)**	**$ (33,766)**
Long-term debt	-	-	-	(252,621)	**(252,621)**	**(252,621)**
Forward foreign exchange contracts	-	(6,694)	-	-	**(6,694)**	**(6,694)**
Embedded derivative	-	(4,704)	-	-	**(4,704)**	**(4,704)**
Interest rate swap	-	(175)	-	-	**(175)**	**(175)**
	$ -	$ (11,573)	$ -	$ (286,387)	**$ (297,960)**	**$ (297,960)**

(1) Trade and other payables excludes the liability for share based compensation of $7.3 million at March 29, 2014 (December 31, 2013 - $7.0 million).

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:

March 29, 2014	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	42,954	-	-
Interest rate caps	-	138	-
	$ 42,954	$ 138	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(11,161)	-
Embedded derivative	-	(5,079)	-
Interest rate swaps	-	(380)	-
	$ -	$ (16,620)	$ -

December 31, 2013	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	46,793	-	-
Forward foreign exchange contracts	-	1,297	-
Interest rate cap	-	169	-
	$ 46,793	$ 1,466	$ -
Financial Liabilities:			
Forward foreign exchange contracts	-	(6,694)	-
Embedded derivative	-	(4,704)	-
Interest rate swap	-	(175)	-
	$ -	$ (11,573)	$ -

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

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

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

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

There were no transfers between levels during the periods ended March 29, 2014 and December 31, 2013.

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

Fair value of financial instruments carried at amortized cost:

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

The estimated fair value of Clearwater's long term debt whose carrying value does not approximate fair value at March 29, 2014 is $16.6 million (December 31, 2013 - $16.3 million) and the carrying value is $16.8 million (December 31, 2013 – $16.3 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. LOSS PER SHARE

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

		March 29, 2014		March 30, 2013
Basic				
Loss for the period	**$**	**(14,472)**	$	(3,250)
Weighted average number of shares outstanding		**54,183,443**		50,948,698
Loss per share	**$**	**(0.27)**	$	(0.06)
Diluted				
Loss for the period	**$**	**(14,472)**	$	(3,250)
Weighted average number of shares outstanding		**54,183,443**		50,948,698
Loss per share	**$**	**(0.27)**	$	(0.06)

(In thousands of Canadian dollars)

The interest on the 2014 convertible debentures (redeemed in July 2013) results in anti-dilutive loss per share for March 30, 2013. As a result, for the period ended March 30, 2013, 7,523,559 potential ordinary shares were not included in the calculation of the weighted average number of ordinary shares for the purpose of diluted loss per share.

7. SHARE CAPITAL

On February 4, 2014 Clearwater completed the issuance of 4,029,400 common shares at $8.50 per common share for gross proceeds of $34.2 million. Transaction costs associated with the equity issue were $1.8 million and deducted from the recorded amount for the common shares.

Total common shares outstanding as at March 29, 2014 is 54,978,098 common shares.

The Board of Directors approved and declared a quarterly dividend of CAD $0.025 per share payable on May 28, 2014 to shareholders of record on May 14, 2014.

8. SEGMENTED INFORMATION

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

(a) Sales by Species

		March 29, 2014		March 30, 2013
Scallops	**$**	**29,303**	$	25,082
Coldwater shrimp		**20,738**		19,929
Lobster		**15,612**		13,054
Clams		**11,878**		9,945
Ground fish and other		**240**		287
	$	**77,771**	$	68,297

(In thousands of Canadian dollars)

(b) Sales by Geographic Region

		March 29, 2014		March 30, 2013
France	**$**	**10,230**	$	10,572
Russia		**4,547**		4,126
UK		**3,458**		2,443
Other		**12,440**		11,084
Europe		**30,675**		28,225
United States		**15,622**		12,367
Canada		**9,202**		7,387
North America		**24,824**		19,754
Japan		**9,824**		6,005
China		**9,043**		10,493
Other		**2,648**		3,249
Asia		**21,515**		19,747
Other		**757**		571
	$	**77,771**	$	68,297

(c) Non-current Assets by Geographic Region

		March 29, 2014		December 31, 2013
Property, plant and equipment, licences, fishing rights and goodwill				
Canada	**$**	**239,140**	$	212,625
Argentina		**28,438**		22,115
Other		**207**		221
	$	**267,785**	$	234,961

9. RELATED PARTY TRANSACTIONS

Transactions with related parties

Clearwater rents office space to Clearwater Fine Foods Incorporated ("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. These fees apportion the salaries of the individuals providing the services based on estimated time spent.

(In thousands of Canadian dollars)

Clearwater had the following transactions and balances with CFFI, for the period ended March 29, 2014 and March 30, 2013:

13 weeks ended		**March 29, 2014**		**March 30, 2013**
Opening balance due from CFFI	**$**	**1,524**	$	1,596
Management and other fees charged to CFFI		**-**		122
Rent and IT service fees charged to CFFI		**46**		46
Interest on intercompany account		**19**		19
Payments from CFFI		**(300)**		(200)
Other charges to CFFI		**22**		19
	$	**1,311**	$	1,602

The amount due from CFFI is unsecured and due on demand. As such the account has been classified as a current asset included in prepaids and other. The balance bears interest at a rate of 5%.

In addition, Clearwater expensed approximately $0.01 million for vehicle leases for the 13 weeks ended March 29, 2014 (March 30, 2013 - $0.02 million) and approximately $0.03 million for other services for the 13 weeks ended March 29, 2014 (March 30, 2013 - $0.01 million) by companies related to its parent. The transactions are recorded at the exchange amount and the balance due to these companies was $ nil million as at March 29, 2014 (December 31, 2013 - $0.01 million)

Clearwater recorded sales commissions and storage fees to a non-controlling interest in a consolidated partnership. These sales commissions and storage fees are at prevailing market prices and are settled on normal trade terms. Sales commissions for the 13 weeks ended March 29, 2014 are $0.5 million (March 30, 2013 - $0.5 million). Storage fees for the 13 weeks ended March 29, 2014 are $0.4 million (March 30, 2013 - $0.4 million).

At March 29, 2014 Clearwater had a balance of $5.3 million (December 31, 2013 - $5.0 million), included in long term receivables, for interest bearing loans made to a non-controlling interest shareholder in a subsidiary. During the quarter, Clearwater changed its presentation of advances to a non-controlling interest shareholder in a subsidiary. Advances as at March 29, 2014 of $3.7 million (December 31, 2013 - $3.8 million) (January 1, 2013 - $3.4 million) were reclassified from long term receivables to non-controlling interest. These advances are now recorded as distributions to a non-controlling shareholder in a subsidiary.

(In thousands of Canadian dollars)

10. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital *(excludes change in accrued interest)*	13 weeks ended March 29, 2014	March 30, 2013
(Increase) decrease in inventory	**(222)**	444
Decreases in accounts payable	**(280)**	(16,159)
(Increase) decrease in accounts receivable	**(1,583)**	3,019
Decrease in prepaids	**483**	1,265
	$ (1,602)	$ (11,431)

11. 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)

	2014	2013				2012		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	77,771	111,012	113,982	95,368	68,297	92,945	101,553	84,926
Net (loss) earnings	(12,144)	(298)	27,224	(9,866)	(1,762)	10,518	17,618	(2,505)
Per share data								
Basic net (loss) earnings	(0.27)	(0.06)	0.48	(0.24)	(0.06)	0.17	0.30	(0.08)
Diluted net (loss) earnings	(0.27)	(0.06)	0.47	(0.24)	(0.06)	0.15	0.27	(0.08)

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Trading price range of shares (board lots)								
High	9.21	8.50	5.82	4.98	5.30	4.15	2.90	2.70
Low	7.27	5.37	4.86	4.10	4.00	2.50	2.36	2.02
Close	7.55	8.22	5.68	4.92	4.85	4.00	2.50	2.48
Tranding volumes (000's)								
Total	3,370	2,635	2,416	1,930	6,709	1,906	1,265	1,350
Average daily	55	41	39	30	110	31	21	22
Shares outstanding at end of quarter	54,978,098	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 International 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

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

Michael D. Pittman
Vice-President, Fleet

Greg Morency
President and Chief Commercial Officer

David Rathbun
Vice-President, Chief Talent Officer

Christine Penney
Vice-President, Sustainability & Public Affairs

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.

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