






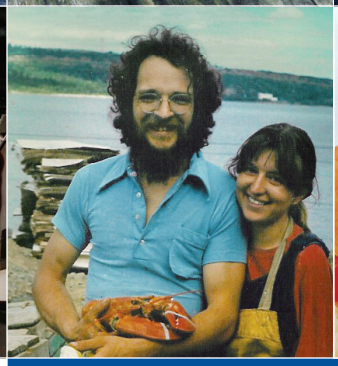

40 YEARS

CLEARWATER SEAFOODS INCORPORATED
2017 FIRST QUARTER REPORT

& Growing













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LETTER TO SHAREHOLDERS

- Sales and adjusted EBITDA of $128.4 million and $19.8 million respectively for 2017 versus 2016 comparative results of $116.2 million and $18.9 million. This represents growth rates of 10.4% for sales and 4.8% for adjusted EBITDA.

- Overall sales volumes were higher than the prior year as strong Clam and scallop harvest volumes were partially offset by 25% lower Frozen-at-sea ("FAS") shrimp sales volumes due to difficult harvesting conditions.

- Inventory increased $3.5 million compared to the end of 2016 as lower clam inventory volumes were offset by higher seasonal harvesting costs and timing of scallop landings.

- Completed an offering of USD $250 million senior unsecured notes, and entered into a secured $300 million revolving credit facility and a $35 million secured term loan, enabling the refinancing of existing indebtedness and increasing liquidity and capital flexibility.

- The Board declared a quarterly dividend of $0.05 per share payable on June 2, 2017 to shareholders of record as of May 20, 2017.

The results of our operations for the first quarter of 2017 are in line with management's expectations. Strong global market demand and harvesting improvements resulted in higher sales volumes in many of our core species, while margins were pressured by lower sales prices for clams and lower catch rates for FAS shrimp. The successful refinancing of our indebtedness improved liquidity and capital flexibility, and will support our planned growth initiatives.

2017 began with product mix challenges that included high inventory levels for clams from harvesting the entire Total Allowable Catch ("TAC") for the first time in history in 2016, and lower available supply for FAS shrimp and sea scallops related to reductions in TAC. In the first quarter of 2017, the Canadian dollar strengthened against the majority of our selling currencies, negatively impacting adjusted EBITDA by $4.5 million.

Despite the impacts of seasonality, product mix challenges, and foreign exchange, adjusted EBITDA grew 4.8%. For the balance of 2017, we expect clam inventories to continue to decline and margins to improve as we focus on price realization through the expansion of our markets and channels

First Quarter Results

Clearwater reported sales and adjusted EBITDA of $128.4 million and $19.8 million for the first quarter of 2017 versus 2016 comparative figures of $116.2 million and $18.9 million, respectively. This represents a growth rate of 10.4% and 4.8% for sales and adjusted EBITDA. Gross margin as a percentage of sales was 18.0% compared to 23.1% in the first quarter of 2016.

Sales and adjusted EBITDA benefited from higher sales volumes in clams, scallops, and lobster, partially offset by a reduction in available supply for shrimp and the strengthening of the Canadian dollar against other currencies. Margins as a percentage of sales were lower than the first quarter of 2016 due to difficult fishing conditions for FAS shrimp and lower sales prices for clams from higher available supply. In the first quarter of 2016 demand for clams had outstripped supply.

Working capital was $16.2 million higher than the first quarter of 2016 reflecting higher clam inventories. Clam inventory volume peaked in the fourth quarter of 2016, decreased in Q1 2017 through sales growth, and is expected to continue to decline with increasing demand and the Asian market peak sales season in the second half of the year. Overall, inventories are $3.5 million higher than fourth quarter 2016 due to the timing of scallop landings, partially offset by overall lower clam volumes due to sales growth.

Earnings attributable to shareholders decreased $12.3 million in the first quarter of 2017 from earnings of $14.5 million to earnings of $2.2 million. The decrease was driven by the weakening of the USD against the CAD during the period as compared to 2016, resulting in a reduction of unrealized foreign exchange gains related to debt, working capital and forward contracts. The decrease was partially offset by lower realized foreign exchange losses and net finance costs.

Adjusted earnings attributable to shareholders decreased $1.8 million as higher adjusted EBITDA and lower interest expense was offset by timing of landings for Argentine scallops which is harvested by a joint venture partner.

Dividends

The Board of Directors approved and declared a quarterly dividend of CAD $0.05 per share payable on June 2, 2017 to shareholders of record as of May 20, 2017.

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

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

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

Seasonality

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

Results for the first quarter of 2017 are consistent with Management's expectations.

Outlook

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

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

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

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.

Core Strategies

Expanding Access to Supply - Expanding access to supply of core species and other complementary, high demand, premium, wild and sustainably harvested seafood through improved utilization and productivity of core licenses as well as acquisitions, partnerships, joint ventures and commercial agreements.

Target Profitable and Growing Markets, Channels and Customers - Clearwater targets growing markets, consumers, channels and customers on the basis of size, profitability, demand for eco-label seafood and ability to win. Our focus is to win in key channels and with customers that are winning with consumers.

Innovate and Position Products to Deliver Superior Customer Satisfaction and Value - We continue to work with customers on new products and formats as we innovate and position our premium seafood to deliver superior satisfaction and value that is differentiated by relevant dimensions such as taste, quality, safety, sustainability, wellness, convenience and fair labour practices.

Increase Margins by Improving Price Realization and Cost Management - Leverage the scarcity of seafood supply and increasing global demand, in addition to continuing to invest in, innovate and adopt state-of-the-art technology, systems and processes.

Pursue and Preserve the Long-Term Sustainability of Resources on Land and Sea - As a leading global supplier of wild-harvested seafood, sustainability remains at the core of our business and our mission. Investing in the long-term health and the responsible harvesting of the oceans and the bounty is every harvester's responsibility and the only proven way to ensure access to a reliable, stable, renewable and long-term supply of seafood. Sustainability is not just good business, like innovation it's in our DNA.

Build Organizational Capability, Capacity and Engagement - We attract, train and retain the best talent to build business system and process excellence company-wide.

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

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
May 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 11, 2017.

The Audit Committee and the Board of Directors of Clearwater Seafoods Incorporated ("Clearwater", or "the Company") have reviewed and approved the contents of this MD&A, the interim consolidated Financial Statements and the 2017 first quarter news release.

This MD&A should be read in conjunction with the 2017 first quarter interim consolidated Financial Statements, the 2016 annual consolidated Financial Statements, the 2016 annual MD&A and the 2016 Annual Information Form, which are available on Sedar at www.sedar.com as well as Clearwater's website, www.clearwater.ca.

COMMENTARY REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

NON-IFRS MEASURES

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

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 EBITDA is defined as EBITDA excluding extraordinary, non-operating, non-recurring or non-routine items that are unusual and are deemed not to be a part of normal operations of the business. Items that are excluded from adjusted EBITDA include restructuring and reorganization expenses, gains and losses on investment activities, costs associated with acquisitions to the extent not capitalized, financing and refinancing costs, net gains on insurance claims and stock based compensation. 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.

Adjusted Earnings
Adjusted Earnings is defined as earnings excluding items such as refinancing and reorganization costs, acquisition related costs and recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts). 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 Earnings as they do not relate to the general operations of the business.

Free Cash Flow
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.

Leverage
Leverage calculations are calculated by dividing the current and preceding annual adjusted EBITDA (excluding non-controlling interest) by the total debt (excluding non-controlling interest) on the balance sheet adjusted for cash reserves (excluding non-controlling interest).

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

Refer to non-IFRS measures 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 harvesting operations in Canada, Argentina and the UK, Clearwater is recognized for its consistent quality, wide diversity, and reliable delivery of premium, wild, eco-labeled seafood, including scallops, lobster, clams, coldwater shrimp, crab and groundfish with approximately 93 million pounds sold in 2016.

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 Marine Stewardship Council ("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 to acquire and harvest fishing quotas create barriers to entry.

Clearwater continues to create competitive advantage through investment in research and development, technology and intellectual property that has resulted in state-of-the-art factory vessels with harvesting and processing technologies that enable high productivity and frozen-at-sea products that deliver superior tasting and higher quality products.

Clearwater maintains a global, direct sales force that is capable of interacting with and selling directly to diverse markets worldwide. Our channel mix in food service, retail and other food industries ensures a diverse community of customers and we have no single customer representing more than 5% of total annual sales.

The vertical integration of Clearwater's quotas and licences, sustainable fishing practices, at-sea processing of shellfish, onshore processing and distribution network and global sales forces combine to make Clearwater the industry leader in shellfish.

Proven and Experienced Leadership Team
Clearwater continues to build upon its world class capabilities in quality control and food safety, operations, new product development and leadership through the addition of key resources to complement its existing team. Through its deep industry knowledge and talent, our team will continue to deliver on our operational and financial growth opportunities.

2017 Strategic Update and Capability to Deliver Results

Clearwater continues to execute against its six core business strategies. Combined, these strategies focus on connecting a diverse global customer base with premium wild-caught seafood products and will continue guiding Clearwater toward becoming the world's most extraordinary shellfish company dedicated to sustainable seafood excellence.

Refer to the annual MD&A for a comprehensive discussion of Clearwater's Strategies and Capability to Deliver Results.

Q1 updates on activities impacting our strategic pillars and our capability to deliver results:

Strategies

1. **Expanding Access to Supply** – In the first quarter of 2017, clam and scallop catch rates were stronger than the first quarter of 2016 as the newest addition to the clam fleet, the Belle Carnell, continued to deliver improved catch rates and efficiencies while our Argentine scallop vessels had excellent catch rates and benefited from few mechanical issues.

2. **Target profitable & growing markets, channels & customers** – In the first quarter of 2017 global demand for shellfish remained strong resulting in 10% revenue growth across our species. Clearwater expanded its customer base in Asia, forging new strategic channels for our Canadian, Argentine and UK species including the roll out of another phase of ecommerce partnerships in our China market, selling clams, shrimp, scallops and lobster directly to consumers.

3. **Innovate and position products to deliver superior customer satisfaction and value** – Clearwater launched new RFID enabled boxes on retail products in our Asian markets as an anti-counterfeiting measure, protecting both the Clearwater brand and avoiding competitive sales erosion.

4. **Increase margins by improving price realization and cost management** – The results of our operations for the first quarter of 2017 are in line with management's expectations. Strong global market demand and harvesting improvements resulted in higher sales volumes in many of our core species. Margins are lower than Q1 2016 as clam pricing incentives decreased clam margins, and shrimp experienced lower catch rates; a combination of reduced TAC and poor weather conditions. With strong harvests, stable demand for our products, and investments in distribution expansion, management remains confident that margin growth will resume within the year.

5. **Pursue and preserve the long-term sustainability** - On March 30, 2017, the Department of Fisheries and Oceans ("DFO") released its quota guidance for the Northern Shrimp Fishery 2017/2018 season. As a result of the DFO's decision related to quotas and changes to sharing arrangements for the Northern Shrimp fishery, Clearwater's quota was reduced by 2,332 MT. The reduction was anticipated by management and further reductions are possible as the species finds ecological balance with the return of cod, a natural predator of shrimp, to this fishery.

6. **Build organizational capability, capacity & engagement** – In the first quarter of 2017 Clearwater launched Clearwater University, an online development portal making a robust curriculum, including thought leadership modules from Harvard University accessible to employees of Clearwater.

Capability to Deliver Results

- **Liquidity and Capital Resources** - On April 26, 2017, Clearwater completed an offering of USD $250 million senior unsecured notes, due 2025 with a US dollar coupon rate of 6.875% ("the Notes") and concurrently entered into new senior secured credit facilities with an aggregate principal amount of $335 million, consisting of a $300 million revolving credit facility and a $35 million amortizing secured term loan, each maturing in 2022 (the "Senior Secured Credit Facilities). The Senior Secured Credit Facilities bear interest ranging from LIBOR plus 1.50% to 2.25% for the revolving credit facility and LIBOR plus 2.50% to 3.25% for the secured term loan. The net proceeds, together with the new borrowings enabled Clearwater to refinance existing indebtedness and positions Clearwater with increased liquidity and capital flexibility to support growth plans in the foreseeable future.

- **Total allowable catch** - The DFO's reduction in the Northern Shrimp Fishery quota in Q1 2017 negatively impacts the financial results of this species; however, Clearwater's varied species portfolio and harvesting innovations will help mitigate the impact of these natural fluctuations in species supply.

- **Harvesting Fleet** – Progress continues, on time and on budget, on the conversion of the Anne Risley, a state-of-the-art clam vessel and sister-ship to the latest clam fleet addition, the Belle Carnell. As with the Belle Carnell, the Anne Risley is expected to increase productive harvesting capacity, ensuring that Clearwater will be able to harvest its complete clam TAC.

EXPLANATION OF 2017 FINANCIAL RESULTS

Overview

Clearwater uses Key Performance Indicators and Financial Measures to assess progress against our six strategic priorities. Refer to discussion on non-IFRS measures in the non-IFRS measures, definitions and reconciliations section of this interim MD&A.

Key Performance Indicators and Financial Measures

In 000's of Canadian dollars 12 months rolling	**April 1 2017**	April 2 2016	April 4 2015
Profitability			
Sales	**$ 623,693**	$ 545,808	$ 442,332
Sales growth	**14.3%**	23.4%	23.2%
Gross margin[1]	**$ 140,881**	$ 146,958	$ 102,462
Gross margin[1] (as a % of sales)	**22.6%**	26.9%	23.2%
Adjusted EBITDA[1]	**121,841**	118,870	86,870
Adjusted EBITDA attributable to shareholders[1]	**$ 99,483**	$ 96,328	$ 69,424
Adjusted EBITDA attributable to shareholders (as a % of sales)[1]	**16.0%**	17.6%	15.7%
Earnings attributable to shareholders	**31,594**	8,297	(19,826)
Adjusted Earnings attributable to shareholders[1]	**21,962**	46,100	22,538
Cash Flows and Leverage			
Cash from operations	**$ 50,205**	$ 45,147	$ 73,992
Free cash flows[1]	**$ 650**	$ 5,178	$ 38,295
Leverage[1]	**4.4**	4.2	3.8
Returns			
Return on assets[1]	**10.8%**	13.3%	13.7%

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

Annualized Key Performance Indicators and Financial Measures

For the twelve month rolling period ending April 1, 2017, the three-year compound annual growth rate for sales and adjusted EBITDA was 18.7% and 18.4%, respectively, as compared to the same period in 2016. The growth in both key performance indicators resulted from a strong focus on our core strategies including expanding access to supply and increasing margins by price realization and cost management. The acquisition of Macduff Shellfish Group Limited ("Macduff") on October 30, 2015 expanded Clearwater's reach to profitable and growing markets, channels and customers and together with the addition of the Belle Carnell to the clam fleet substantially increased Clearwater's access to available supply and other growth opportunities. Higher sales prices in home currencies, strong global market demand for our core species and growth in distribution channels and new markets has had a significant positive impact to both sales and adjusted EBITDA.

Gross margins have declined to 22.5% as a percentage of sales for the twelve month rolling period ending April 1, 2017 from 26.9% in the same period of 2016. Lower catch rates for shrimp, resulting from a combination of difficult weather conditions and lower TAC, and changes in overall product mix weighted towards products with lower margins, further contributed to the decline. Distribution incentives on clam sales volumes in the last quarter of 2016 and the first quarter of 2017 contributed to the decline as sales prices were higher in the prior annualized period when demand had significantly outstripped available supply.

Clearwater is primarily an export company with more than 85% of total sales take place outside of Canada and in different currencies. As a result, Clearwater has a targeted foreign exchange risk management program using forward contracts to manage its currency fluctuation exposure. As Clearwater does not apply hedge accounting standards to its long term debt, forward contracts, swaps and caps, the translation of all non cash unsettled amounts are recognized in profit and loss. This can and has caused significant volatility in Clearwater's earnings.

Adjusted earnings attributable to shareholders decreased $24.1 million to $22.0 million for the rolling twelve months ending April 1, 2017. The decline resulted from several key factors including lower margins, higher depreciation and higher interest expense as average debt balances were higher throughout 2016 as a result of the acquisition of Macduff in 2015.

Free cash flow for the rolling twelve month period ending April 1, 2017 was cash proceeds of $0.7 million versus proceeds of $5.2 million for the twelve months rolling period ending April 2, 2016. The decline in free cash flow was a result of higher interest expense, timing of distributions to non-controlling interests and higher capital expenditures from the timing of the completion of the Belle Carnell in 2015 and the replacement of the Ocean Concord in late 2016. In addition, cash taxes increased during the rolling twelve months for the period ending April 1, 2017 as a result of the acquisition of Macduff.

Leverage for the rolling twelve month period ending April 1, 2017 increased to 4.4 x adjusted EBITDA from 4.2 on April 2, 2016 primarily as a result of lower cash balances at the end of the first quarter of 2017 as higher debt balances throughout 2016 reduced available cash. In addition, lower adjusted EBITDA in the fourth quarter of 2016 related to distribution incentives for clams and higher clam inventories at December 2016 reduced rolling twelve month Adjusted EBITDA.

Return on assets declined to 10.8% from 13.3% in 2016 primarily due to higher inventory levels for clam as Clearwater harvested the entire clam quota for the first time in its history in 2016.

EXPLANATION OF CHANGES IN EARNINGS

Overview

The interim consolidated financial statements reflect the results of Clearwater for the 13 weeks ended April 1, 2017 and April 2, 2016. For supplemental non-IFRS measures, refer to discussion on non-IFRS measures in the non-IFRS measures, definitions and reconciliations section of this interim MD&A. Detailed discussion on the components of consolidated Earnings follows.

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Sales	**$**	**128,367**	$	116,225	$	12,142
Cost of goods sold		**105,245**		89,359		15,886
Gross margin		**23,122**		26,866		(3,744)
		18.0%		*23.1%*		*(5.1) bps*
Administrative and selling		**13,619**		14,220		(601)
Net finance costs		**5,925**		10,661		(4,736)
Losses (gains) on contract derivatives		**2,119**		(4,908)		7,027
Foreign exchange gains on long-term debt		**(750)**		(9,419)		8,669
Other (income) expense		**(768)**		13		(781)
Research and development		**456**		276		180
		20,601		10,843		9,758
Earnings before income taxes		**2,521**		16,023		(13,502)
Income tax (recovery) expense		**(697)**		211		(908)
Earnings	**$**	**3,218**	$	15,812	$	(12,594)
Earnings attributable to:						
Non-controlling interest	**$**	**1,046**	$	1,305	$	(259)
Shareholders of Clearwater		**2,172**		14,507		(12,335)
	$	**3,218**	$	15,812	$	(12,594)
Adjusted EBITDA attributable to shareholders	**$**	**19,768**	$	18,864	$	904
Adjusted earnings attributable to shareholders	**$**	**3,821**	$	5,233	$	(1,412)

Sales by region

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Europe	**$**	**55,791**	$	48,008	$	7,783
China		**22,037**		17,823		4,214
Japan		**15,590**		15,609		(19)
Other Asia		**9,217**		9,538		(321)
Asia		**46,844**		42,970		3,874
United States		**18,082**		17,310		772
Canada		**7,443**		7,912		(469)
North America		**25,525**		25,222		303
Other		**207**		25		182
	$	**128,367**	$	116,225	$	12,142

Summary

Clearwater reported sales for 2017 of $128.4 million, representing growth of 10.4% as compared to the same period in 2016.

Europe

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

European sales increased $7.8 million, or 16.2% to $55.8 million for 2017.

The increase in sales was primarily due to higher sales volumes for both sea and Argentine scallops, cooked and peeled shrimp and langoustines, partially offset by a lower available supply of coldwater shrimp, as difficult weather conditions reduced harvesting opportunities in the first quarter. In addition, sales for sea scallops were weighted towards products with lower average sales prices, reducing sales.

European sales are primarily denominated in Euro, GBP and Danish Kroner. Lower average foreign exchange rates[1] reduced sales by $3.9 million compared to the first quarter of 2016.

China

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

For the first quarter of 2017, sales increased $4.2 million or 23.6% to $22.0 million as compared to the first quarter of 2016. Higher sales volumes for clams, lobster and scallops were offset by lower available supply of shrimp.

Sales in China are almost exclusively transacted in US dollars. Average foreign exchange rates[1] for the US dollar declined by 2.4% to 1.326 in 2017, partially offsetting the increase in sales by $0.5 million.

Japan

Clams, lobster, coldwater shrimp and turbot are the main species sold in Japan.

Sales of $15.6 million for the period were consistent with the first quarter of 2016, as higher sales volumes for clams were offset by lower sales volumes in shrimp and lower clam prices as incentives given in the fourth quarter of 2016 carried over into 2017.

Sales, which were primarily transacted in Yen, were negatively impacted in the first quarter of 2017 by approximately $0.8 million related to a slight decrease in average foreign exchange rates[1] compared to the same period in 2016.

United States
Scallops, coldwater shrimp, lobster and clams are the primary species sold in the United States.

Sales for the first quarter of 2017 increased $0.8 million from the first quarter of 2016, primarily due to higher sales volumes for lobster and clams. Lower sales prices, resulting from a smaller size mix for scallops and price incentives for clams partially offset the increase in sales.

Sales for 2017 were negatively impacted by $0.4 million due to lower foreign exchange rates as the US dollar weakened against the Canadian dollar. Average foreign exchange rates[1] for the US dollar declined by 2.4% to 1.326 in 2017.

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

Sales within Canada decreased $0.5 million, or 5.9% to $7.4 million for 2017 primarily from the timing of landings for Argentine scallops and lower sales volumes for sea scallops. Higher sales prices for scallops and sales volumes for lobster, partially offset the decline.

Sales by species[1]

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Scallops	**$**	**48,001**	$	39,058	$	8,943
Lobster		**23,490**		21,558		1,932
Coldwater shrimp		**19,314**		20,955		(1,641)
Clams		**23,494**		18,611		4,883
Langoustine		**6,589**		8,922		(2,333)
Crab		**987**		1,438		(451)
Whelks		**5,917**		4,718		1,199
Ground fish and other shellfish		**575**		965		(390)
	$	**128,367**	$	116,225	$	12,142

Sales increased $12.1 million for 2017 to $128.4 million versus sales of $116.2 million in the same period of 2016 primarily as a result of higher sales volumes for clams, lobster, and scallops from higher available supply and timing of landings.

Sales of clams increased 26.2% or $4.9 million in the first quarter of 2017 following the introduction of a third clam vessel into the Grand Banks fishery in the first half of 2016. Higher sales volumes were partially offset by lower prices as incentives given in the fourth quarter of 2016 carried over into 2017. Management expects sales growth to continue throughout 2017 as investments in marketing unlock new strategic sales channels.

Lower average foreign exchange rates, reductions in available supply for shrimp and lower sales prices in home currency, from pricing incentives for clams, partially offset the increase in sales. Reductions in available supply for shrimp resulted from difficult weather conditions that reduced harvesting opportunities for shrimp in the first quarter of 2017.

1 – Refer to discussion on risks and uncertainties

In the first quarter of 2017, in an effort to preserve the health of shrimp, the Department of Fisheries and Oceans further reduced the total allowable catch ("TAC") in the Northern Shrimp Fishery with the expected return of its natural predator, cod. The reduction of TAC is expected to impact sales and margins for FAS shrimp in future periods.

Lower average foreign exchange rates, had a $6.8 million negative impact on sales, as the Canadian dollar strengthened against the US dollar, GBP, Euro, Yen and DKK.

Cost of Goods Sold

Cost of goods sold includes harvesting and procurement costs, manufacturing costs, depreciation, transportation and administration. Cost of goods sold increased $16.4 million primarily as a result of higher sales volumes.

Cost of goods sold as a percentage of sales increased primarily as a result of higher procurement prices for lobster and higher harvesting costs per pound for shrimp and sea scallops due to difficult weather conditions that reduced catch rates.

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.

Gross margin

Gross margin decreased $3.7 million, or 510 basis points as a percentage of sales, in the first quarter of 2017 compared to the same period in 2016 to $23.1million as a result of higher sales volumes that were offset by lower sales prices for clams, as incentives given in the fourth quarter of 2016 carried over into 2017. In addition, difficult weather conditions in the first quarter of 2017 for shrimp, lowered catch rates and contributed to the decline in margins.

Finally, lower average foreign exchange rates as the Canadian dollar strengthened against the US dollar, GBP, Euro, Yen and DKK negatively impacting margins by approximately $6.8 million.

	April 1, 2017		April 2, 2016	
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1,2]
US dollars	**36.8%**	**1.326**	34.5%	1.358
Euros	**27.2%**	**1.426**	28.3%	1.499
Canadian dollar and other	**10.8%**	**-**	11.5%	-
UK pounds	**11.3%**	**1.643**	8.7%	1.951
Japanese Yen	**10.4%**	**0.012**	11.4%	0.012
Danish Kroner	**3.5%**	**0.190**	5.6%	0.206
	100.0%		100.0%	

[1] Refer to discussion on risks and uncertainties

[2] Comparative information for the first quarter of 2016 has been updated to include Macduff sales.

Administrative and selling

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Salaries and benefits	**$**	**9,542**	$	9,674	$	(132)
Share-based incentive compensation		**(205)**		1,501		(1,706)
Employee compensation		**9,337**		11,175		(1,838)
Consulting and professional fees		**3,758**		2,452		1,306
Other		**1,611**		1,520		91
Reorganizational costs		**160**		23		137
Selling costs		**649**		836		(187)
Travel		**831**		967		(136)
Occupancy		**355**		546		(191)
Allocation to cost of goods sold		**(3,082)**		(3,299)		217
	$	**13,619**	$	14,220	$	(601)

Administrative and selling decreased $0.6 million in the first quarter of 2017 primarily as a result of lower share based compensation, partially offset by higher consulting and professional fees.

Salaries and benefits remained consistent in the first quarter of 2017.

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

Share based compensation expense decreased $ 1.7 million primarily as a result of the change in share price in the first quarter of 2017 versus the 2016 comparative period.

Consulting and professional fees include operations management, legal, audit and accounting, insurance and other specialized consulting services. Consulting and professional fees increased in the first quarter of 2017 as a result of specialized fees in support of the enterprise resource planning system ("ERP").

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

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

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

Net Finance costs

In 000's of Canadian dollars		**April 1 2017**	April 2 2016	Change
Interest and bank charges	**$**	**6,050** $	6,216 $	(166)
Amortization of deferred financing charges and accretion		**442**	565	(123)
		6,492	6,781	(289)
Interest rate swaps and caps		**(696)**	892	(1,588)
Accretion on deferred consideration		**545**	1,318	(773)
Fair value adjustment on embedded derivative		**(416)**	1,795	(2,211)
Debt refinancing fees and other		**-**	(125)	125
	$	**5,925** $	10,661 $	(4,736)

Interest and bank charges decreased $0.2 million for the first quarter of 2017 as compared to the same period in 2016 primarily as a result of higher average debt balances throughout the first quarter of 2016 following the acquisition of Macduff on October 30, 2015 and principal payments made in 2016.

The **interest rate swaps and caps** relate to non-cash mark-to-market gains and losses on USD $100 million and CAD $24 million swaps and caps that were entered into in 2015. As part of our risk management strategy we enter into interest rate derivative instruments to give us certainty regarding cash flows for a period of time. The change in the mark-to-market represents changes in relative expected future interest rates and foreign exchange. As part of the refinancing which occurred after the period-end, these instruments were unwound.

The **accretion on deferred consideration** arises from the deferred consideration obligation associated with the acquisition of Macduff as the notes are non-interest bearing. The reduction in accretion for the first quarter of 2017 primarily relates to timing of non-cash adjustments in the first quarter of 2016, partially offset by changes in foreign exchange rates as the GBP strengthened against the Canadian dollar in 2017.

The **fair value adjustment on the embedded derivative** on Term Loan B relates to a Libor floor provision in the loan agreement and the earnings impact represents the change in the estimated fair values. The increase in non-cash fair value adjustments is primarily a result of changes in speculation on long-term interest rates.

(Gains) losses[1] on contract derivatives

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Realized (gain) loss						
Forward foreign exchange contracts	**$**	**(177)**	$	1,951	$	(2,128)
Unrealized loss (gain)						
Forward foreign exchange contracts		**2,296**		(6,859)		9,155
	$	**2,119**	$	(4,908)	$	7,027

Clearwater is primarily an export company with more than 85% of our sales taking place outside Canada and in foreign currencies. As part of our risk management strategy we enter into short-term forward contracts to give us certainty regarding exchange rates and cash flows for a period of time. We recognize and include in our earnings any realized gains and losses on these instruments as they mature and are settled.

We also recognize and include in consolidated earnings, unrealized non-cash gains and losses on these instruments by assuming the settlement of these instruments prior to their maturity at each period end. To reflect this accounting, we obtain estimates of the fair value of the hedging instruments and convert them to Canadian dollars at each balance sheet date. The unrealized non-cash gains or losses are excluded when calculating Adjusted EBITDA, Adjusted Earnings Attributable to Shareholders of Clearwater and Free Cash Flows.

Losses on contract derivatives in the first quarter of 2017 increased $7.0 million as compared to the same period in 2016 as non-cash losses exceeded non-cash gains.

Realized gains on settled forward contract derivatives were $2.1 million higher in the first quarter of 2017 from a loss of $2.0 million in the same comparative period in 2016 to a gain of $0.2 million as average contracted rates for the Euro were higher than the spot rate. The unrealized gain in the first quarter of 2017 reduced earnings volatility as it offsets the foreign exchange losses within sales.

For instruments not settling in the period, average contracted rates were lower than the relative spot rate for the USD, partially offset by higher contracted rates than the relative spot rate for the Yen and the Euro.

1 – Refer to discussion on risks and uncertainties

Foreign exchange [1] (gains) losses on long term debt and working capital

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Realized (gain) loss						
Working capital and other	**$**	**406**	$	5,073	$	(4,667)
Unrealized (gain) loss						
Foreign exchange on long term debt and working capital		**(2,261)**		(20,476)		18,215
Cross currency swaps and cap		**1,105**		5,984		(4,879)
		(1,156)		(14,492)		13,336
	$	**(750)**	$	(9,419)	$	8,669

Foreign exchange gains on long-term debt and working capital decreased by $8.7 million from $9.4 million in the first quarter of 2016 to $0.8 million in the same period for 2017.

In the first quarter of 2017, realized foreign exchange losses on working capital and other decreased $4.7 million from $5.1 million in 2016 to $0.4 million as foreign exchange rates stabilized.

Unrealized foreign exchange gains on long term debt and working capital for the first quarter of 2017 were $2.3 million as the Canadian dollar continued to strengthen against the US dollar, partially offset by the Canadian dollar weakening against the GBP. In the comparative prior-year period, a gain of $20.5 million resulted from the translation of the $189.0 million US dollar denominated debt and the deferred consideration and earnout obligations denominated in GBP as the Canadian dollar strengthened against both the US dollar and GBP.

Partially offsetting unrealized gains on long term debt, were losses related to the $75 million cross currency swaps of $1.1 million and $6.0 million for the first quarters of 2017 and 2016, respectively.

Other (income) expense

In 000's of Canadian dollars		**April 1 2017**		April 2 2016		Change
Royalties, interest and other fees (income)		**100**		(72)		172
Acquisition related costs	**$**	**58**	$	1,201	$	(1,143)
Fair value adjustment on earn-out liability		**17**		(377)		394
Other (income) fees		**(177)**		74		(251)
Share of (earnings) loss of equity-accounted investee		**(344)**		199		(543)
Export rebate income		**(423)**		(1,012)		590
	$	**(768)**	$	13	$	(781)

1 – Refer to discussion on risks and uncertainties

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.

Acquisition related costs for 2016 and 2017 related to the acquisition and integration of Macduff Shellfish.

The fair value adjustment on earn-out liability relates to the Macduff acquisition. The earn-out liability is an unsecured additional consideration to be paid dependent on the future financial performance of Macduff and is recognized using fair value, with adjustments included in the statement of earnings (loss).

Share of earnings in equity-accounted investee increased in the first quarter of 2017 primarily as a result of timing of landings in comparison with the same period in 2016.

The export rebate income relates to incentives accrued by our Argentine subsidiary for exports from certain economic zones in Argentina. Late in 2016, the Argentina government announced a change to the export rebate program that will result in a reduction to the incentive program. Management expects to receive all accrued balances in due course.

Research and Development

Research and development relates to new harvesting, processing and storage 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 a consistent investment in research and development for the 2017 fiscal year.

Income taxes

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

Deferred tax assets are being recognized based on management's estimate that it is more likely than not that Clearwater will earn sufficient taxable profit to utilize these losses. The increase in deferred tax expense for the period was a result of expected higher taxable income.

Earnings attributable to non-controlling interest

Non-controlling interest relates to minority share of earnings from Clearwater's majority investments in a shrimp/turbot joint venture and subsidiaries in Argentina and Newfoundland and Labrador.

The decrease in earnings attributable to non-controlling interest of $0.3 million for the first quarter of 2017 relates primarily to lower catch rates for shrimp as difficult weather conditions and TAC reduced sales volumes.

It is important to note that the earnings attributable to non-controlling interest relates to the portion of Clearwater's partnerships owned by other parties. Income taxes are included in earnings attributable to shareholders for Clearwater's share of partnership earnings, whereas the earnings attributable to non-controlling interest are not tax affected.

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

Earnings attributable to shareholders

Earnings attributable to shareholders decreased $12.3 million in the first quarter of 2017 from earnings of $14.5 million to earnings of $2.2 million. The decrease was driven by the weakening of the USD against the CAD during the period as compared to 2016, resulting in a reduction of unrealized foreign exchange gains related to debt, working capital and forward contracts. The decrease was partially offset by lower realized foreign exchange losses and net finance costs.

Adjusted Earnings attributable to shareholders

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

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

Adjusted earnings attributable to shareholders[1] decreased $1.8 million as higher adjusted EBITDA and lower interest expense was offset by timing of landings for Argentine scallops which is harvested by a joint venture partner.

Capital Structure

Clearwater's capital structure includes a combination of equity and various types of debt facilities. Clearwater's goal is to have a cost effective capital structure that supports its growth plans, while maintaining flexibility, reducing interest rate risk and reducing exchange risk by borrowing in currencies other than the Canadian dollar when appropriate.

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

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

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

Clearwater's capital structure was as follows as at April 1, 2017 and December 31, 2016:

In 000's of Canadian dollars As at		**April 1 2017**		December 31 2016
Equity				
Share capital	**$**	**210,860**	$	210,860
Contributed surplus		**1,804**		1,419
Deficit		**(5,818)**		(4,793)
Accumulated other comprehensive income		**(37,529)**		(38,931)
		169,317		168,555
Non-controlling interest		**16,493**		19,930
		185,810		188,485
Long-term debt				
Senior debt, non-amortizing				
Revolving debt, due in 2018[1]		**47,900**		23,400
Term loan, due in 2017		**13,328**		13,459
Term loan, due in 2091		**3,500**		3,500
		64,728		40,359
Senior debt, amortizing				
Term Loan A, due 2018 [2]		**49,585**		50,218
Term Loan B, due 2019 [3]		**304,262**		307,210
Other loans		**208**		222
		354,055		357,650
Deferred Obligation[4]		**30,071**		29,298
Earnout liability[4]		**9,193**		9,107
Total long term debt		**458,047**		436,414
Total capital	**$**	**643,857**	$	624,899

[1] The revolving loan allows Clearwater to borrow a maxium of CDN $100 million and bears interest at the banker's acceptance rate plus 3.25%. The availability on this loan is reduced by the amount outstanding on a USD $10 million non-amortizing term loan.

[2] Term Loan A is net of unamortized deferred financing charges of $0.3 million (December 31, 2016 - $0.4 million) and bears interest at the applicable banker's acceptance rate plus 3.25%. At April 1, 2017, this resulted in an effective rate of approximately 4.13%.

[3] Term Loan B is a USD loan, shown net of unamortized deferred financing charges of $1.0 million (December 31, 2016 - $1.1 million) and bears interest at US Libor plus 3.5% with a Libor floor of 1.25%. At April 1, 2017, this resulted in an effective rate of approximately 4.75%.

[4] The Deferred Obligation and Earnout Liability relate to the acqusition of Macduff in 2015, as described below.

Equity

There are 63,934,698 shares outstanding as of April 1, 2017 (December 31, 2016 - 63,934,698).

On June 21, 2016, Clearwater issued 2,895,700 shares for $13.90 per share yielding gross proceeds of approximately $40.3 million. Concurrently, Clearwater completed a non-brokered private placement with certain existing shareholders for 1,080,000 shares at $13.90 per share for approximate gross proceeds of $15.0 million. The total approximate gross proceeds from the offering were $55.3 million and the approximate proceeds net of expenses were $53.1 million. Transactions costs were net of deferred taxes of $0.7 million.

Long-term debt

On April 26, 2017, Clearwater completed an offering of USD $250 million senior unsecured notes, due 2025 with a US dollar coupon rate of 6.875% ("the Notes"). Clearwater intends to enter into currency hedging arrangements with respect to this indebtedness.

Concurrently, Clearwater entered into new senior secured credit facilities in an aggregate principal amount of CDN $335 million, consisting of a CDN $300 million revolving credit facility and a CDN $35 million amortizing secured term loan, each maturing in 2022 (the "Senior Secured Credit Facilities). The Senior Secured Credit Facilities bear interest ranging from LIBOR plus 1.50% to 2.25% for the revolving credit facility and LIBOR plus 2.50% to 3.25% for the secured term loan. The range is determined quarterly based on a ratio of Senior Secured indebtedness to EBITDA, with EBITDA calculated on a trailing twelve month basis.

Clearwater used the net proceeds from the sale of the Notes, together with the new borrowings under the Senior Secured Credit Facilities, to refinance existing senior secured credit facilities (Term Loan A, Term Loan B and revolving credit facility) and intends to use the remainder for general corporate purposes.

Included in Clearwater's long-term debt is the Deferred Obligation and Earnout Liability related to the acquisition of Macduff in 2015. The terms of these liabilities are as follows:

The Deferred Obligation relates to 33.75% of the shares of Macduff Shellfish Group Limited acquired by Clearwater (the "Earn Out Shares"). The original amount was £26.2 million (CDN $43.8 million) and the principal amount of the deferred obligation at April 1, 2017 was £21.0 million, recorded at a discounted amount of £18.0 million (CDN $30.1 million) (December 31, 2016 - £21.0 million, CDN $29.3 million) based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.44%.

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

On October 30, 2016 the holders of the Earn Out Shares elected to be paid 20% of the outstanding deferred obligation. As a result a payment £5.2 million (CDN - $8.7 million) was made on November 15, 2016.

The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout at April 1, 2017. was £5.5 million (CDN - $9.2 million) (December 31, 2016 - £5.5 million, CDN - $9.1 million) based on forecast earnings and probability assessments. The actual Earnout payments are to be paid over the next five years.

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

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

iii. 10% of adjusted EBITDA above £10 million (dependent upon the percentage of Deferred obligation remaining unpaid each year)

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

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

- CDN $12 million of Term Loan A is fixed at 6.25% to June 2018.
- CDN $12 million of Term Loan A is capped at 5.85% to June 2018.
- USD $50 million of the Term Loan B is fixed at 6.15% to June 2019.
- USD $50 million of the Term Loan B is fixed at 6.49% to June 2019.
- USD $75 million of the Term Loan B debt has been swapped into Canadian dollars at an effective exchange rate of 1.32 until June 26, 2018.

Taking into account the above interest rate swaps and excluding revolving loans, deferred compensation and the related earnout, Clearwater has effectively fixed the interest rate on 47% of its debt as at April 1, 2017.

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

On April 26, 2017, concurrent with the repayment of existing Term Loan A, Term Loan B and revolving credit facility, the Company unwound the related interest rate swaps and cross currency swap arrangements.

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

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

Liquidity

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

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

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

- **Liquidity** – As of April 1, 2017 Clearwater had $20.6 million in cash, and a $100.0 million revolving loan, of which $38.8 million was available for drawing upon. The cash balance, together with available credit on the revolving loan, is used to manage seasonal working capital demands, capital expenditures, and other commitments.

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

- **Leverage[1]** – Clearwater's long-term leverage target calculated as net debt to adjusted EBITDA is 3.0x or lower. Periodically, leverage may be higher due to planned investments, or lower due to seasonality but over time Clearwater manages to this target. As of April 1, 2017 leverage increased to 4.4x from 4.2x as of December 31, 2016. The increase is primarily due to a higher revolving debt balance due to higher inventory balances and timing of accounts payable.

  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 manages its leverage. In addition, as leverage is a measure frequently analyzed for public companies, Clearwater has calculated the amount in order to assist readers in this review. Leverage should not be construed as a measure of cash flows.

  Clearwater's leverage measure is based on the ratio of Clearwater's share of adjusted EBITDA to its outstanding debt, net of cash balances.

In 000's of Canadian dollars		April 1		December 31		April 2		April 4
Rolling 12 months ended		2017		2016		2016		2015
Adjusted EBITDA[1,2] (excluding non-controlling interest)	$	99,483	$	98,447	$	108,286	$	71,876
Debt [3,4] (excluding non-controlling interest)		457,114		436,834		487,305		293,203
Less cash (excluding non-controlling interest)		(15,624)		(25,110)		(36,461)		(17,866)
Net debt	$	441,490	$	411,724	$	450,844	$	275,337
Leverage		4.4		4.2		4.2		3.8

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

2 - Adjusted EBITDA for rolling 12 months ended April 2, 2016 includes an adjustment of $0.5 million (April 4, 2015 - $2.5 million) related to a reallocation of trailing earnings of Macduff which was acquired on October 3, 2015.

3 - Debt at April 1, 2017 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015.

4 - Debt is net of unamortized deferred financing charges of $1.3 million (December 31, 2016 - $1.5 million; April 2, 2016 - $2.0 million; April 4, 2015 - $0.6 million).

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

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

  (1) Diversify sales geographically, which reduces the impact of any country-specific economic and exchange 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 six months.

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

(5) Foreign exchange risk management - Clearwater has a targeted foreign exchange program. This program focuses on using forward contracts to lock in exchange rates up to 15 months for sales currencies (the US dollar, Euro, Yen and Sterling) and foreign denominated capital spend thereby lowering the potential volatility in cash flows from changes in exchange rates.

As of May 11, 2017 Clearwater had forward exchange contracts to be settled in 2017 and 2018 of:

- US $96.6 million at an average rate of 1.34;
- 2.4 billion Yen at an average rate of .0125;
- 27.5 million Euro at an average rate of 1.48;
- 23.8 million Euro to GBP at an average rate of 0.85; and
- $8.0 million US to GBP at an average rate of 0.78.

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

1 – Refer to discussion on risks and uncertainties

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

		13 weeks ended		12 months Rolling		
		April 1 2017	April 2 2016	April 1 2017	April 2 2016	April 4 2015
Adjusted EBITDA[1]	$	19,768 $	18,864 $	121,841 $	118,870 $	86,870
Less:						
Cash Interest		(6,050)	(6,216)	(24,609)	(20,980)	(15,651)
Cash taxes		(3,217)	(262)	(10,033)	(859)	(3,146)
Other income and expense items		2,851	(5,455)	3,288	(9,629)	(4,701)
Operating cash flow before changes in working capital		13,352	6,931	90,487	87,402	63,372
Changes in working capital		(31,308)	(15,112)	(40,282)	(42,255)	10,620
Cash flows from operating activities		**(17,956)**	**(8,181)**	**50,205**	**45,147**	**73,992**
Uses of cash:						
Purchase of property, plant, equipment, quota and other assets		(19,110)	(10,356)	(65,084)	(45,430)	(71,224)
Disposal of fixed assets		-	823	308	5,407	5
Less: Designated borrowings[A]		8,862	-	34,745	19,974	45,074
Scheduled payments on long-term debt		(1,512)	(1,572)	(6,415)	(6,141)	(9,236)
Distributions to non-controlling interests		(4,172)	(9,268)	(19,463)	(17,609)	(9,269)
Non-routine project costs		-	1,201	684	3,154	-
Other financing costs		-	-	-	676	-
Payments on long term incentive plans		-	-	5,670	-	8,953
Free cash flows	$	**(33,888) $**	**(27,353) $**	**650 $**	**5,178 $**	**38,295**
Add/(less):						
Other debt borrowings (repayments) of debt, use of cash[B]		15,639	26,600	(57,267)	119,822	(40,388)
Issuance of equity		-	-	53,024	58,628	-
Other investing activities[C]		(784)	(1,897)	(1,341)	(148,723)	359
Other financing activities		-	-	(9,391)	(7,596)	(6,596)
Payments on long term incentive plans		-	-	(5,670)	-	(8,953)
Non-routine project costs		-	(1,201)	(684)	(3,153)	-
Other financing costs		-	-	-	(676)	-
Impact of foreign exchange on cash		71	(930)	-	(2,659)	(166)
Change in cash flows for the period	$	(18,962) $	(4,781) $	(20,679) $	20,821 $	(17,449)

A – Designated borrowings relate to capital projects for which there is long-term financing and therefore they will not be financed with operating cash flows. For 2017 and 2016, the periods covered in this table includes the replacement of the Ocean Concord clam vessel. For 2015, the period covered in this table includes a conversion of a vessel for Argentina, the addition of a third clam vessel, a late life refit on a shrimp vessel and the conversion of a new research vessel. For the purpose of free cash flow calculations the amount invested (up to the total amount of the related financing) during the period on these projects is backed out of the calculation of free cash flows irrespective of the timing of the related borrowing.

1 – Refer to discussion on risks and uncertainties

B – Other debt borrowings (repayments) of debt includes $8.9 million of cash invested in designated capital projects.

C - Other investing activities for 2015 (including the 12 months rolling April 2, 2016) includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

D – Free cash flows for the 13 weeks ended and 12 months rolling period ended April 2, 2016 have been reduced by $3.0 million to reflect that dividends were declared in the first quarter of 2016 but not paid until the second quarter of 2016. The amount was reclassified from "Dividends paid to common shareholders" within investing activities, to "Changes in non-cash operating working capital" within operating activities on the condensed consolidated interim statement of cash flows. This reclassification has no impact on the 2016 annual free cash flow.

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

Free cash flows were $(33.9) million for the period ended April 1, 2017 as compared to $(27.4) million for the comparative period in 2016. The decline in free cash flow was a result of increased investment in working capital and higher capital expenditures, partially offset by lower distributions to non-controlling interests. Cash flows used in working capital increased as we invested in inventory and from receivables growth. Distributions to non-controlling interests were lower due to the timing of payments.

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

- **Changes in working capital**

	13 weeks ended		12 months Rolling	
	April 1	April 2	April 1	April 2
In 000's of Canadian dollars	2017	2016	2017	2016
Decrease (Increase) in inventory	$ (3,703)	$ (3,260)	$ (22,473)	$ (16,433)
(Decreases) Increases in accounts payable	(23,303)	(18,511)	(15,576)	(3,540)
Decrease (Increase) in accounts receivable	(6,264)	4,067	(6,556)	(21,649)
(Increases) decrease in prepaids	1,962	2,592	4,322	(634)
	$ (31,308)	$ (15,112)	$ (40,282)	$ (42,256)

[1] Changes in working capital accounts do not tie to the balance sheet as a result of adjustments required under IFRS, including the impact of foreign exchange.

Working capital for the period ended April 1, 2017 was an investment of $31.3 million versus $15.1 million in the same period of 2016 primarily as a result of strong harvesting conditions for clams and procurement opportunities that increased inventory levels and receivables growth.

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 has a policy of utilizing a combination of credit reporting agencies, credit insurance, letters of credit and secured forms of payment to mitigate customer and country specific credit risk. As a result, Clearwater does not have any significant concentration of credit risk. Clearwater manages 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. From time-to-time, Clearwater enters into transactions to sell selected accounts receivables to a commercial partner without recourse. Sale of receivables during the period represent less than 5 percent of consolidated sales.

- Capital spending - Clearwater evaluates 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 $25-35 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 2017 Clearwater expects to invest approximately $86 million in capital expenditures with the largest portion relating the purchase and conversion of the clam replacement vessel, vessel maintenance and refits.

- **Dividends** – On May 11, 2017 the Board of Directors approved and declared a dividend of $0.05 per share payable on June 2, 2017 to shareholders of record as of May 20, 2017.

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

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

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

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

Commitments

In the normal course of business, Clearwater is obligated to make future payments, including contractual obligations for non-derivative and derivative financial instruments, operating leases and other commitments. Clearwater has included these items in the commitments section of its 2016 annual MD&A, which section is herein incorporated by reference. Since December 31, 2016, there have been no material changes to amounts presented or expectations in the commitment schedule included in the 2016 annual MD&A.

Please see the subsequent events note to our interim financial statements for the details of the refinancing of long term debt that occurred after the period-end.

OUTLOOK

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

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

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

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.

The results of our operations for the first quarter of 2017 are in line with management's expectations. Strong global market demand and harvesting improvements resulted in higher sales volumes in many of our core species, while margins were pressured by lower sales prices for clams and lower catch rates for FAS shrimp. The successful refinancing of our indebtedness improved liquidity and capital flexibility, and will support our planned growth initiatives.

2017 began with product mix challenges that included high inventory levels for clams from harvesting the entire Total Allowable Catch ("TAC") for the first time in history in 2016, and lower available supply for Frozen-at-sea ("FAS") shrimp and sea scallops related to reductions in TAC. In the first quarter of 2017, the Canadian dollar strengthened against the majority of our selling currencies, negatively impacting adjusted EBITDA by $4.5 million[2].

Despite the impacts of seasonality, product mix challenges, and foreign exchange, adjusted EBITDA grew 4.8%. For the balance of 2017, we expect clam inventories to continue to decline and margins to improve as we focus on price realization through the expansion of our markets and channels.

RISKS AND UNCERTAINTIES

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

Foreign exchange risk

Clearwater's 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 its expenses are in Canadian dollars. As a result, fluctuations in the foreign exchange rates of these currencies can have a material impact on the financial condition and operating results. In addition Clearwater has subsidiaries which operates in the offshore scallop fishery in Argentina and Scotland which exposes Clearwater to changes in the value of the Argentine Peso and GBP.

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

(1) Diversify sales internationally which reduces the impact of any country-specific economic risks.
(2) Execute on pricing strategies so as to offset the impact of exchange rates.
(3) Limit the amount of long-term sales contracts – Clearwater has very few long-term sales contracts with any customers. Contracts are typically less than 6 months and are based on list prices that provide a margin for exchange rate fluctuations.
(4) Plan conservatively - Clearwater regularly reviews economist estimates of future exchange rates and uses conservative estimates when managing its business, and
(5) Foreign exchange hedging program - that focuses on using forward contracts to enable Clearwater to lock in exchange rates up to 15 months for key sales currencies (the US dollar, Euro, Yen and Sterling) thereby lowering the potential volatility in cash flows through derivative contracts.

As of May 11, 2017, Clearwater had forward exchange contracts to be settled in 2017 and 2018 of:

- US $96.6 million at an average rate of 1.34;
- 2.4 billion Yen at an average rate of .0125;
- 27.5 million Euro at an average rate of 1.48;
- 23.8 million Euro to GBP at an average rate of 0.85; and
- $8.0 million US to GBP at an average rate of 0.78.

The purpose of these contracts is to give certainty to Clearwater on the exchange rates that it expects to receive on a portion of its foreign currency sales. The foreign exchange contracts effectively adjust the cash proceeds received on sales receipts to the rates that Clearwater planned for and contracted for as part of this annual planning cycle and its foreign exchange management program. When spot exchange rates are above contract rates at the date of maturity of the contracts Clearwater realizes a loss and conversely, when spot exchange rates are lower it realizes a gain.

Political risk

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

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

Argentina

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

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 actively managing the business.

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

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 necessitated that some funds be used for the related loan domestic payments, thus alleviating the need for any material dividend payments for the short term.

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

United Kingdom

On June 23, 2016, the United Kingdom ("UK") voted to leave the European Union ("EU"). On March 29, 2017, the Prime Minister of the United Kingdom filed its notice of intention to leave the EU, triggering the process to negotiate the terms of the withdrawal and the country's future relationship with the EU. Where this negotiation process is likely to take several years, it will take some time to develop the full details of the exit plan and its impact to Clearwater. With the acquisition of Macduff, Clearwater and Macduff are confident that we will see continued strength and growth in our business. We are confident in our ability to mitigate any negative impacts on the business and continue to monitor the impact on operations.

At this time we do not expect any material impacts on the business as a result of this decision. We will continue to analyze the detailed impacts on the business as the details of the exit agreement become known.

United States

NAFTA is a comprehensive trade agreement that sets the rules of trade and investment between Canada, the United States, and Mexico. Since the agreement entered into force on January 1, 1994, NAFTA has systematically eliminated most tariff and non-tariff barriers to free trade and investment between the three NAFTA countries. The current President of the United States, has expressed his intent to change the existing NAFTA, however the specifics related to these changes are unknown at this time and therefore the impact to Canada and Clearwater is indeterminable. Approximately 14.0% of total sales for 2016 and 14.1% for the first quarter of 2017 were in the United States.

Management continues to review, assess and monitor for any changes to NAFTA that could significantly impact Clearwater.

Europe

In February 2017, the European Union ("EU") approved a deal which will drop barriers between the EU and Canada (the "Comprehensive Economic and Trade Agreement" or "CETA"). Europe is one of the world's top consumption markets for seafood. The EU imported in excess of CAD $25 billion of seafood with exports of only CAD $5.7 billion. Europe is a major export market for Clearwater products, representing approximately 40% of total sales or $246 million in 2016. With CETA, Clearwater and its' European customers expect to see a financial benefit through tariff reduction. Clearwater also anticipates the reduction in tariffs to lead to accelerated growth in the European market.

China and Japan

On January 30, 2017, the Government of the United States officially withdrew from the Trans-Pacific Partnership Agreement ("TPP"). As much of the TPP was negotiated around specific U.S. conditions, the status of the TPP is unknown and therefore, the impact to Canada and Clearwater is indeterminable. In the absence of TPP, the Governments of Canada, China and Japan have expressed interest in exploring bilateral free trade agreements. Ratified bilateral free trade agreements would be expected to have positive benefits to Clearwater's sales and margins through reductions of tariffs and duties.

Contingent Liability

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

Resource supply risk

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

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

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

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

The northern shrimp resource is declining from record high levels and on July 15, 2016, the Government of Canada announced a decrease in the TAC for the Northern coldwater shrimp fishery area (SFA) 6. On March 30, 2017, the Government of Canada announced a further decrease in TAC for the same area. The decline in the TAC reverses the tremendous growth in the resource and is a reversal that has been expected by scientists and industry participants. Clearwater will continue to pursue adjustments to the business as required to find additional quotas, efficiencies and market value to offset the volume declines. The diversity in Clearwater's species portfolio also helps to mitigate the impact of shrimp declines in the business.

Other risks

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

CRITICAL ACCOUNTING POLICIES

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

Disclosure Controls and Internal Controls Over Financial Reporting

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, 2016 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, 2016. 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.

For the year ended December 31, 2016, Macduff Shellfish was incorporated into management's review and assessment of internal controls over financial reporting and in February 2016, Clearwater successfully completed the implementation of its new ERP system (SAP), including general ledger, sales distribution, supply chain and transportation modules, replacing its legacy systems.

Based on management's evaluation, the CEO and the CFO have concluded that as of December 31, 2016, Clearwater's internal controls over financial reporting were 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 changes to controls during the first quarter of 2017 that would materially affect Clearwater's internal controls over financial reporting.

Adoption of new and revised standards

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

Disclosure Initiative (Amendments to IAS 7)

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

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. To meet the disclosure requirement, the company provided a reconciliation of the opening and closing balances of liabilities arising from financing activities in Note 11.

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

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

The Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. These amendments had no impact to Clearwater.

The IASB has issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – Financial Instruments

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

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

IFRS 16 Leases

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

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Foreign Currency Transactions and Advance Consideration (IFRIC 22)

On December 6, 2016, the IASB issued IFRIC 22, Foreign Currency Transactions and Advance Consideration which clarifies the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, is the date on which an entity has received or paid advance consideration.

The Company intends to adopt IFRIC 22 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of IFRIC 22 has not yet been determined.

Transfer of assets between an investor and its associate or joint venture (amendments to IFRS 10)

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and joint ventures the parent recognises the gain only to the extent of unrelated investors' interests in the associate or joint venture. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company will evaluate the impact if and when the IASB determines an effective date.

IFRS 2 Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

Related Party Transactions

Clearwater often transacts in the normal course of business with other related parties. The details are as follows for the 13 weeks ended April 1, 2017:

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. The net amount due from CFFI in respect of these transactions was $0.1 million (December 31, 2016 – net amount due to CFFI of $0.04 million), is unsecured and due on demand.

In June 2016, Clearwater sold an idle vessel to its joint venture, the sales price of CDN $13.5 million dollars was the book value at the time of the sale plus refit costs.

For the period ended April 1, 2017 Clearwater expensed approximately $0.01 million in factory and equipment rentals from companies related to a member of its management team (April 2, 2016 - $0.01 million).

In addition, for the period ended April 1, 2017, Clearwater expensed approximately $0.01 million for goods and services from companies related to its parent (April 2, 2016 - $0.01 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at April 1, 2017 (December 31, 2016 - $0.05 million).

At April 1, 2017, long-term receivables included a balance of $1.4 million (December 31, 2016 - $1.4 million) for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2017				
Sales	$ 128,367	$ -	$ -	$ -
Earnings	3,218	-	-	-
Earnings per share ("EPS")	0.03	-	-	-
Diluted earnings per share[1]	0.03	-	-	-
Weighted average shares outstanding	63,934,698	-	-	-
Fiscal 2016				
Sales	$ 116,225	$ 140,180	$ 189,457	$ 165,690
Earnings (loss)	15,812	13,514	17,859	12,411
Earnings (loss) per share ("EPS")	0.24	0.16	0.17	0.14
Diluted earnings (loss) per share	0.24	0.16	0.17	0.14
Weighted average shares outstanding	59,958,998	60,439,577	63,934,698	63,934,698
Fiscal 2015				
Sales	$ 75,362	$ 116,748	$ 147,332	$ 165,503
Earnings (loss)	(28,336)	9,739	1,717	(3,793)
Earnings (loss) per share ("EPS")	(0.57)	0.10	(0.08)	(0.07)
Diluted earnings (loss) per share	(0.57)	0.10	(0.09)	(0.07)
Weighted average shares outstanding	54,978,098	55,197,039	59,958,998	59,958,998

[1] Diluted earnings (loss) per share are anti-dilutive for the first nine months of 2016 and fourth quarter of 2015.

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

In general, sales increase with each successive quarter with the highest revenues in the third and fourth quarter of each year which is consistent with Clearwater's seasonality.

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

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

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 extraordinary, non-operating, non-recurring or non-routine items that are unusual and are deemed not to be a part of normal operations of the business. Items that are excluded from adjusted EBITDA include restructuring and reorganization expenses, gains and losses on investment activities, costs associated with acquisitions to the extent not capitalized, financing and refinancing costs, net gains on insurance claims and stock based compensation. 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.

Reconciliation of net earnings (loss) to adjusted EBITDA for the 13 weeks ended and rolling twelve months ended April 1, 2017, April 2, 2016 and April 4, 2015 is as follows:

	13 weeks ended		12 months Rolling		
	April 1 2017	**April 2 2016**	**April 1 2017**	**April 2 2016**	**April 4 2015**
(Loss) earnings	$ 3,218	$ 15,812	$ 47,003	$ 23,475	$ (6,395)
Add (deduct):					
Income taxes	(697)	211	15,538	7,817	4,922
Taxes and depreciation for equity investment	102	(85)	1,147	1,156	1,298
Depreciation and amortization	9,643	6,196	36,948	29,220	25,402
Interest on long-term debt and bank charges	6,491	6,781	26,600	22,657	16,460
Earnings before interest, taxes, depreciation and amortization	$ 18,757	$ 28,915	$ 127,236	$ 84,325	$ 41,687
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (income)	445	(19,142)	(8,604)	14,832	30,118
Fair market value on long term debt	146	1,795	(3,001)	(1,209)	(530)
Realized foreign exchange on working capital	406	5,074	3,136	5,688	(726)
Restructuring and refinancing costs	219	721	1,878	11,811	2,104
Stock based compensation	(205)	1,501	1,196	3,123	12,280
Gain on disposal of assets and quota	-	-	-	-	1,937
Gain on insurance claim	-	-	-	300	-
Adjusted EBITDA	**$ 19,768**	**$ 18,864**	**$ 121,841**	**$ 118,870**	**$ 86,870**
Adjusted EBITDA attributed to:					
Non-controlling interests	$ 1,881	$ 4,103	$ 22,358	$ 22,542	$ 17,446
Shareholders of Clearwater	17,887	14,761	99,483	96,328	69,424
	$ 19,768	**$ 18,864**	**$ 121,841**	**$ 118,870**	**$ 86,870**

Adjusted Earnings attributable to shareholders

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

Reconciliation of net earnings to adjusted earnings for the 13 weeks ended and rolling twelve months ended April 1, 2017, April 2, 2016 and April 4, 2015 is as follows:

	13 weeks ended		Rolling 12 months ended		
	April 1 2017	April 2 2016	April 1 2017	April 2 2016	April 4 2015
Reconciliation of (loss) earnings to adjusted					
(Loss) earnings	$ 3,219	$ 15,812	$ 47,003	$ 23,475	$ (6,395)
Add (subtract)					
Deferred tax assets booked related to prior years	-	-	-	-	(2,575)
Restructuring and refinancing costs	218	(480)	516	5,041	2,195
Acquisition related costs	-	1,201	(42)	4,604	-
Fair value impact on purchase price allocation	-	-	-	2,166	-
Stock based compensation	(205)	1,501	1,196	3,123	12,280
Insurance claim	-	-	-	300	-
Unrealized foreign exchange	27	(20,461)	(11,265)	13,513	30,118
Devaluation of peso on working capital	-	4,546	653	9,890	-
Fair value on Long term debt	562	3,114	(341)	109	(530)
	602	(10,579)	(9,283)	38,746	41,488
Adjusted earnings	**$ 3,821**	**$ 5,233**	**$ 37,720**	**$ 62,221**	**$ 35,093**
Adjusted earnings attributable to:					
Non-controlling interests	1,842	1,451	15,757	16,122	12,555
Shareholders	1,979	3,782	21,962	46,100	22,538
	$ 3,821	$ 5,233	$ 37,719	$ 62,222	$ 35,093
Adjusted earnings per share:					
Weighted average of shares outstanding	63,934,698	59,958,998	57,489,017	59,958,998	54,978,098
Adjusted earnings per share for shareholders	0.03	0.06	0.34	0.77	0.41
Reconciliation of adjusted earnings to adjusted EBITDA					
Adjusted earnings	$ 3,821	$ 5,233	$ 37,720	$ 62,222	$ 35,093
Add (subtract)					
Cash and deferred taxes	(697)	211	15,538	7,817	7,497
Depreciation and Amortization	9,643	6,196	36,948	29,220	25,402
Interest on Long term debt and bank charges	6,492	6,781	26,600	22,657	16,460
Taxes and depreciation on equity investment	102	(85)	1,147	1,156	1,298
Realized foreign exchange on working capital	407	528	2,484	(4,202)	(726)
Other reorganizational costs	-	-	1,404	-	(91)
Gain on disposal of assets	-	-	-	-	1,937
	15,947	13,631	84,121	56,648	51,777
Adjusted EBITDA[1]	**$ 19,768**	**$ 18,864**	**$ 121,841**	**$ 118,870**	**$ 86,870**

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

Leverage

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

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

Reconciliation of adjusted EBITDA (excluding non-controlling interest) to debt (net of unamortized deferred financing charges) for the rolling twelve months ended April 1, 2017, 2016, April 2, 2016 and April 4, 2015 is as follows:

In 000's of Canadian dollars		April 1		December 31		April 2		April 4
Rolling 12 months ended		2017		2016		2016		2015
Adjusted EBITDA[1,2] (excluding non-controlling interest)	$	99,483	$	98,447	$	108,286	$	71,876
Debt [3,4] (excluding non-controlling interest)		457,114		436,834		487,305		293,203
Less cash (excluding non-controlling interest)		(15,624)		(25,110)		(36,461)		(17,866)
Net debt	$	441,490	$	411,724	$	450,844	$	275,337
Leverage		4.4		4.2		4.2		3.8

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

2 - Adjusted EBITDA for rolling 12 months ended April 2, 2016 includes an adjustment of $0.5 million (April 4, 2015 - $2.5 million) related to a reallocation of trailing earnings of Macduff which was acquired on October 3, 2015.

3 - Debt at April 1, 2017 has been adjusted to include the USD $75 million cross-currency swap at contracted rates of 1.3235 that was entered into in the third quarter 2015.

4 - Debt is net of unamortized deferred financing charges of $1.3 million (December 31, 2016 - $1.5 million; April 2, 2016 - $2.0 million; April 4, 2015 - $0.6 million).

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 April 1, 2017, April 2, 2016 and April 4, 2015 is as follows:

		13 weeks ended		12 months Rolling		
		April 1 2017	April 2 2016	April 1 2017	April 2 2016	April 4 2015
Adjusted EBITDA[1]	$	19,768 $	18,864 $	121,841 $	118,870 $	86,870
Less:						
Cash Interest		(6,050)	(6,216)	(24,609)	(20,980)	(15,651)
Cash taxes		(3,217)	(262)	(10,033)	(859)	(3,146)
Other income and expense items		2,851	(5,455)	3,288	(9,629)	(4,701)
Operating cash flow before changes in working capital		13,352	6,931	90,487	87,402	63,372
Changes in working capital		(31,308)	(15,112)	(40,282)	(42,255)	10,620
Cash flows from operating activities		**(17,956)**	**(8,181)**	**50,205**	**45,147**	**73,992**
Uses of cash:						
Purchase of property, plant, equipment, quota and other assets		(19,110)	(10,356)	(65,084)	(45,430)	(71,224)
Disposal of fixed assets		-	823	308	5,407	5
Less: Designated borrowings[A]		8,862	-	34,745	19,974	45,074
Scheduled payments on long-term debt		(1,512)	(1,572)	(6,415)	(6,141)	(9,236)
Distributions to non-controlling interests		(4,172)	(9,268)	(19,463)	(17,609)	(9,269)
Non-routine project costs		-	1,201	684	3,154	-
Other financing costs		-	-	-	676	-
Payments on long term incentive plans		-	-	5,670	-	8,953
Free cash flows	$	**(33,888) $**	**(27,353) $**	**650 $**	**5,178 $**	**38,295**
Add/(less):						
Other debt borrowings (repayments) of debt, use of cash[B]		15,639	26,600	(57,267)	119,822	(40,388)
Issuance of equity		-	-	53,024	58,628	-
Other investing activities[C]		(784)	(1,897)	(1,341)	(148,723)	359
Other financing activities		-	-	(9,391)	(7,596)	(6,596)
Payments on long term incentive plans		-	-	(5,670)	-	(8,953)
Non-routine project costs		-	(1,201)	(684)	(3,153)	-
Other financing costs		-	-	-	(676)	-
Impact of foreign exchange on cash		71	(930)	-	(2,659)	(166)
Change in cash flows for the period	$	(18,962) $	(4,781) $	(20,679) $	20,821 $	(17,449)

A – Designated borrowings relate to capital projects for which there is long-term financing and therefore they will not be financed with operating cash flows. For 2017 and 2016, the periods covered in this table includes the replacement of the Ocean Concord clam vessel. For 2015, the period covered in this table includes a conversion of a vessel for Argentina, the addition of a third clam vessel, a late life refit on a shrimp vessel and the conversion of a new research vessel. For the purpose of free cash flow calculations the amount invested (up to the total amount of the related financing) during the period on these projects is backed out of the calculation of free cash flows irrespective of the timing of the related borrowing.

B – Other debt borrowings (repayments) of debt includes $8.9 million of cash invested in designated capital projects.

C - Other investing activities for 2015 (including the 12 months rolling April 2, 2016) includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

D – Free cash flows for the 13 weeks ended and 12 months rolling period ended April 2, 2016 have been reduced by $3.0 million to reflect that dividends were declared in the first quarter of 2016 but not paid until the second quarter of 2016. The amount was reclassified from "Dividends paid to common shareholders" within investing activities, to "Changes in non-cash operating working capital" within operating activities on the condensed consolidated interim statement of cash flows. This reclassification has no impact on the 2016 annual free cash flow.

Return on Assets

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

Return on assets is defined as the ratio of rolling 12 month adjusted earnings before interest and taxes ("EBIT") to average total quarterly assets including all working capital assets.

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended April 1, 2017 and April 2, 2016 and April 4, 2015 is as follows:

In (000's) of Canadian dollars		**April 1 2017**		April 2 2016		April 4 2015
Adjusted EBITDA[1]	$	**121,841**	$	118,870	$	86,870
Depreciation and amortization		**41,186**		32,771		23,999
Adjusted earnings before interest and taxes		**80,655**		86,099		62,871
Average quarterly total assets	$	**745,880**	$	649,571	$	460,534
		10.8%		13.3%		13.7%

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 April 1, 2017 and the unaudited condensed consolidated interim statements of earnings (loss), comprehensive loss, shareholders' equity, and cash flows for the 13 weeks ended April 1, 2017 and April 2, 2016. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the April 1, 2017 and April 2, 2016 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) As at		**April 1** **2017**		December 31 2016
ASSETS				
Current assets				
Cash	**$**	**20,553**	$	39,514
Trade and other receivables		**89,161**		82,108
Inventories		**95,304**		91,831
Prepaids and other		**2,622**		5,414
Derivative financial instruments (Note 4)		**2,980**		4,821
		210,620		223,688
Non-current assets				
Long-term receivables		**8,502**		8,132
Other assets		**143**		81
Property, plant and equipment		**241,922**		233,807
Investment in equity investee		**10,840**		10,496
Deferred tax assets		**11,082**		6,429
Intangible assets		**196,778**		197,321
Goodwill		**49,989**		49,781
		519,256		506,047
TOTAL ASSETS	**$**	**729,876**	$	729,735
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**53,917**	$	75,953
Income taxes payable		**5,880**		4,303
Current portion of long-term debt (Note 5)		**92,135**		67,005
Derivative financial instruments (Note 4)		**6,459**		5,640
		158,391		152,901
Non-current liabilities				
Long-term debt (Note 5)		**365,912**		369,409
Other long-term liabilities		**834**		887
Deferred tax liabilities		**18,929**		18,053
		385,675		388,349
SHAREHOLDERS' EQUITY				
Share capital (Note 6)	**$**	**210,860**	$	210,860
Contributed surplus		**1,804**		1,419
Deficit		**(5,818)**		(4,793)
Accumulated comprehensive loss		**(37,529)**		(38,931)
		169,317		168,555
Non-controlling interest		**16,493**		19,930
		185,810		188,485
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**729,876**	$	729,735

Subsequent events (Note 13)

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Earnings

unaudited

(In thousands of Canadian dollars)

13 weeks ended		April 1 2017		April 2 2016
Sales	$	**128,367**	$	116,225
Cost of goods sold		**105,245**		89,359
		23,122		26,866
Administrative and selling costs		**13,619**		14,220
Net finance costs (Note 4 (d))		**5,925**		10,661
Losses (gains) on contract derivatives (Note 4 (f))		**2,119**		(4,908)
Foreign exchange gains on long-term debt and working capital(Note 4 (e))		**(750)**		(9,419)
Other (income) expense		**(768)**		13
Research and development		**456**		276
		20,601		10,843
Earnings before income taxes		**2,521**		16,023
Income tax (recovery) expense		**(697)**		211
Earnings for the period	$	**3,218**	$	15,812
Earnings attributable to:				
Non-controlling interest	$	**1,046**	$	1,305
Shareholders of Clearwater		**2,172**		14,507
	$	**3,218**	$	15,812
Basic and diluted earnings per share (Note 7)	$	0.03	$	0.24

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Comprehensive Loss (Income)

unaudited

(In thousands of Canadian dollars)

13 weeks ended		**April 1 2017**		**April 2 2016**
Earnings for the period	**$**	**3,218**	$	15,812
Comprehensive income (loss) -				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations		**1,446**		(19,039)
Total comprehensive loss (income) for the period	**$**	**4,664**	$	(3,227)
Total comprehensive income (loss) attributable to:				
Non-controlling interest	**$**	**1,090**	$	1,438
Shareholders of Clearwater		**3,574**		(4,665)
	$	**4,664**	$	(3,227)

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Shareholders' Equity

unaudited

(In thousands of Canadian dollars)

	Common shares	Contributed Surplus	Retained earnings (deficit)	Comprehensive Income (loss)	Non-controlling interest	Total
Balance at January 1, 2016	**$ 157,161**	**$ 547**	**$ (36,333)**	**$ (1,625)**	**$ 29,325**	**$ 149,075**
Comprehensive income (loss) for the period	-	-	14,507	(19,172)	1,438	(3,227)
Transactions recorded directly in equity						
Share-based compensation	-	183	-	-	-	183
Distributions to non-controlling interest	-	-	-	-	(8,950)	(8,950)
Dividends declared on common shares	-	-	(2,998)	-	-	(2,998)
Total transactions with owners	-	183	(2,998)	-	(8,950)	(11,765)
Balance at April 2, 2016	**$ 157,161**	**$ 730**	**$ (24,824)**	**$ (20,797)**	**$ 21,813**	**$ 134,083**
Comprehensive income (loss) for the period	-	-	29,421	(18,134)	14,382	25,669
Transactions recorded directly in equity						
Issuance of common shares	53,699	-	-	-	-	53,699
Share-based compensation	-	689	-	-	-	689
Distributions to non-controlling interest	-	-	-	-	(16,265)	(16,265)
Dividends declared on common shares	-	-	(9,390)	-	-	(9,390)
Total transactions with owners	53,699	689	(9,390)	-	(16,265)	28,733
Balance at December 31, 2016	**$ 210,860**	**$ 1,419**	**$ (4,793)**	**$ (38,931)**	**$ 19,930**	**$ 188,485**
Comprehensive income for the period	-	-	2,172	1,402	1,090	4,664
Transactions recorded directly in equity						
Share-based compensation	-	385	-	-	-	385
Distributions to non-controlling interest	-	-	-	-	(4,527)	(4,527)
Dividends declared on common shares	-	-	(3,197)	-	-	(3,197)
Total transactions with owners	-	385	(3,197)	-	(4,527)	(7,339)
Balance at April 1, 2017	**$ 210,860**	**$ 1,804**	**$ (5,818)**	**$ (37,529)**	**$ 16,493**	**$ 185,810**

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Cash

unaudited

(In thousands of Canadian dollars)

13 weeks ended		April 1 2017		April 2 2016
Operating				
Earnings for the period	**$**	**3,218**	$	15,812
Adjustments for:				
Depreciation and amortization		**11,508**		8,941
Net finance costs (income)		**7,493**		(12,287)
Fair value adjustments to financial instruments		**(407)**		1,795
Income tax (recovery) expense		**(697)**		211
Share-based compensation		**(205)**		1,501
(Earnings) loss from equity investee		**(344)**		199
Foreign exchange and other		**464**		(2,805)
Cash from operations before working capital, interest and taxes		**21,030**		13,367
Change in non-cash operating working capital (Note 11)		**(31,113)**		(16,876)
Interest paid		**(6,246)**		(4,453)
Income tax paid		**(1,628)**		(219)
	$	**(17,957)**	$	(8,181)
Financing				
Repayment of long-term debt		**(1,511)**		(1,572)
Net proceeds from revolving credit facility		**24,500**		26,600
Distributions paid to non-controlling interest		**(4,171)**		(9,268)
Advances to minority partners		**(356)**		(483)
	$	**18,462**	$	15,277
Investing				
Purchase of property, plant and equipment		**(19,110)**		(10,356)
Proceeds on disposal of property, plant and equipment		**-**		823
Purchase of other assets		**(42)**		(1,166)
Net advances in long-term receivables		**(386)**		(248)
	$	**(19,538)**	$	(10,947)
Effect of foreign exchange rate changes on cash	**$**	**71**	$	(930)
DECREASE IN CASH		**(18,962)**		(4,781)
CASH, BEGINNING OF PERIOD		**39,514**		51,106
CASH, END OF PERIOD	**$**	**20,552**	$	46,325

See the accompanying notes to the condensed consolidated interim financial statements

1. DESCRIPTION OF THE BUSINESS

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

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

The condensed consolidated interim financial statements of Clearwater as at April 1, 2017 and December 31, 2016 and for the 13 weeks ended April 1, 2017 and April 2, 2016 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, 2016 (included in Clearwater's 2016 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 11, 2017.

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, 2016 financial statements, except as described below.

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

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2017. These changes were made in accordance with the applicable transitional provisions.

Disclosure Initiative (Amendments to IAS 7)

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

The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. To meet the disclosure requirement, the company provided a reconciliation of the opening and closing balances of liabilities arising from financing activities in Note 11.

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

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

The Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. These amendments had no impact to Clearwater.

(c) New accounting standards not yet adopted

The IASB has issued the following standards that have not been applied in preparing these consolidated financial statements as their effective dates fall within annual periods beginning subsequent to the current reporting period.

IFRS 15 – Revenue from Contracts with Customers

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 – Financial Instruments

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

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

IFRS 16 Leases

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

The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

Foreign Currency Transactions and Advance Consideration (IFRIC 22)

On December 6, 2016, the IASB issued IFRIC 22, Foreign Currency Transactions and Advance Consideration which clarifies the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, is the date on which an entity has received or paid advance consideration.

The Company intends to adopt IFRIC 22 in its financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of IFRIC 22 has not yet been determined.

Transfer of assets between an investor and its associate or joint venture (amendments to IFRS 10)

On September 11, 2014 the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28). The amendments were to be applied prospectively for annual periods beginning on or after January 1, 2016, however, on December 17, 2015 the IASB decided to defer the effective date for these amendments indefinitely. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Specifically, under the existing consolidation standard the parent recognises the full gain on the loss of control, whereas under the existing guidance on associates and joint ventures the parent recognises the gain only to the extent of unrelated investors' interests in the associate or joint venture. The main consequence of the amendments is that a full gain/loss is recognised when the assets transferred meet the definition of a 'business' under IFRS 3 Business Combinations. A partial gain/loss is recognised when the assets transferred do not meet the definition of a business, even if these assets are housed in a subsidiary. The Company will evaluate the impact if and when the IASB determines an effective date.

IFRS 2 Share-Based Payment

In June 2016, the IASB issued amendments to IFRS 2 Share-Based Payment. The amendments provide clarification on how to account for certain types of share-based payment transactions.

The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning January 1, 2018. The extent of the impact of adoption of the amendments has not yet been determined.

3. SEASONALITY

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

4. FINANCIAL INSTRUMENTS

The Company periodically uses derivative instruments as part of an active risk management program. The Company has elected not to use hedge accounting for these instruments and consequently changes in fair value are recorded in the consolidated statement of earnings as they occur.

Summary of fair values of derivative financial instrument positions:

As at		**April 1, 2017**		December 31, 2016
Derivative financial assets				
Forward foreign exchange contracts	**$**	**2,925**	$	4,637
Interest rate caps, floors and swap contracts		**55**		184
	$	**2,980**	$	4,821
Derivative financial liabilities				
Forward foreign exchange contracts		**(1,893)**		(1,356)
Interest rate and cross-currency swap contracts		**(4,566)**		(4,284)
	$	**(6,459)**	$	(5,640)

(a) Clearwater has forward contracts maturing each month until February 2018. At April 1, 2017 Clearwater had outstanding forward contracts as follows:

Currency	**Foreign currency notional amount (in 000's)**	**Average contract exchange rate**	**Weighted average months to maturity**		**Fair value asset (liability)**
Contracts in an asset position					
Euro	**29,345**	**1.472**	**2**	**$**	**1,370**
USD	**7,900**	**1.332**	**10**		**75**
Yen	**2,183,000**	**0.013**	**3**		**1,312**
Euro - GBP	**10,900**	**0.860**	**5**		**70**
USD - GBP	**3,590**	**0.810**	**6**		**98**
				$	**2,925**
Contracts in a liability position					
Euro	**4,419**	**1.415**	**6**	**$**	**(85)**
USD	**54,700**	**1.294**	**3**		**(1,778)**
Yen	**131,000**	**0.012**	**10**		**(30)**
				$	**(1,893)**

At December 31, 2016, Clearwater had outstanding forward contracts as follows:

Currency	Foreign currency notional amount (in 000's)	Average contract exchange rate	Weighted average months to maturity		Fair value asset (liability)
Contracts in an asset position					
Euro	35,995	1.472	6	$	1,677
USD	30,800	1.322	3		574
Yen	2,863,100	0.012	6		2,386
				$	4,637
Contracts in a liability position					
USD	41,050	1.309	3	$	(1,356)
				$	(1,356)

(b) At April 1, 2017 Clearwater had interest rate cap, floor and swap contracts and cross-currency swap contracts and outstanding as follows:

	Effective date	Expiry date	Contracted fixed interest rate	Currency	Notional amount (in 000's)	Fair value asset (liability)
Term Loan A - Interest rate swap	**December 2015**	**June 2018**	**5.85%**	**CAD**	**12,000**	**$ (236)**
Term Loan B - Interest rate swap	**December 2015**	**June 2019**	**6.15%**	**USD**	**50,000**	**(1,459)**
Term Loan B - Interest rate swap	**June 2016**	**June 2019**	**6.49%**	**USD**	**50,000**	**(1,980)**
Term Loan B - Cross-currency swap	**October 2015**	**June 2018**	**CAD Banker's Acceptance + 4.41%**	**CAD**	**99,263**	**(891)**
						$ (4,566)
Term Loan A - Interest rate cap	**December 2015**	**June 2018**	**6.25%**	**CAD**	**12,000**	**$ -**
Term Loan B - Interest rate floor	**October 2015**	**June 2018**	**LIBOR +**	**USD**	**75,000**	**55**
						$ 55

(c) At December 31, 2016 Clearwater had interest rate cap and floors and swap contracts outstanding as follows:

	Effective date	Expiry date	Contracted fixed interest rate	Currency	Notional amount (in 000's)	Fair value asset (liability)
Term Loan A - Interest rate swap	December 2015	June 2018	5.85%	CAD	12,000	$ (274)
Term Loan B - Interest rate swap	December 2015	June 2019	6.15%	USD	50,000	(1,785)
Term Loan B - Interest rate swap	June 2016	June 2019	6.49%	USD	50,000	(2,225)
						$ (4,284)
Term Loan B - Interest rate floor	October 2015	June 2018	LIBOR + 1.25%	USD	75,000	$ 184
						$ 184

(d) Net finance costs

13 weeks ended			**April 1, 2017**		April 2, 2016
Interest expense on financial liabilities		$	**6,050**	$	6,216
Amortization of deferred financing charges and accretion			**442**		565
			6,492		6,781
Fair value adjustment on embedded derivative			**(416)**		1,795
Accretion on deferred consideration	(Note 5 (a))		**545**		1,318
Interest rate swap and caps			**(696)**		892
Debt refinancing fees			**-**		(125)
		$	**5,925**	$	10,661

(e) Foreign exchange (gains) losses on long-term debt and working capital

13 weeks ended		**April 1, 2017**		April 2, 2016
Realized loss				
Working capital and other	**$**	**406**	$	5,073
Unrealized (gain) loss				
Foreign exchange on long term debt and working capital		**(2,261)**		(20,476)
Cross currency swaps and caps		**1,105**		5,984
		(1,156)		(14,492)
	$	**(750)**	$	(9,419)

(f) Losses (Gains) on forward exchange contract derivatives

13 weeks ended		**April 1, 2017**		April 2, 2016
Realized (gain) loss				
Forward foreign exchange contracts	**$**	**(177)**	$	1,951
Unrealized loss (gain)				
Forward foreign exchange contracts		**2,296**		(6,859)
	$	**2,119**	$	(4,908)

(k) 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**	
April 1, 2017	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Assets:						
Cash	$ 20,553	$ -	$ -	$ -	**$ 20,553**	**$ 20,553**
Trade and other receivables	-	-	89,161	-	**89,161**	**89,161**
Long-term receivables	-	-	8,502	-	**8,502**	**8,502**
Forward foreign exchange contracts	-	2,925	-	-	**2,925**	**2,925**
Interest rate caps, floors and cross-currency swap	-	55	-	-	**55**	**55**
	$ 20,553	$ 2,980	$ 97,663	$ -	**$ 121,196**	**$ 121,196**
Liabilities:						
Trade and other payables	$ (6,755)	$ -	$ -	$ (47,162)	**$ (53,917)**	**$ (53,917)**
Long-term debt[1]	-	-	-	(448,567)	**(448,567)**	**(448,664)**
Forward foreign exchange contracts	-	(1,893)	-	-	**(1,893)**	**(1,893)**
Embedded derivative in Term Loan B	-	(287)	-	-	**(287)**	**(287)**
Interest rate caps, floors and cross-currency swap	-	(4,566)	-	-	**(4,566)**	**(4,566)**
Earnout liability	(9,193)	-	-	-	**(9,193)**	**(9,193)**
	$ (15,948)	$ (6,746)	$ -	$ (495,729)	**$ (518,423)**	**$ (518,520)**

[1] Excluding the embedded derivative and Earnout liability.

	Fair Value		Amortized cost		Total	
December 31, 2016	Through profit or loss	Derivatives	Loans and receivables	Non-derivative financial liabilities	Carrying amount	Fair value
Assets:						
Cash	$ 39,514	$ -	$ -	$ -	**$ 39,514**	**$ 39,514**
Trade and other receivables	-	-	82,108	-	**82,108**	**82,108**
Long-term receivables	-	-	8,132	-	**8,132**	**8,132**
Forward foreign exchange contracts	-	4,637	0	-	**4,637**	**4,637**
Interest rate cap, floors and cross-currency swap	-	184	-	-	**184**	**184**
	$ 39,514	$ 4,821	$ 90,240	$ -	**$ 134,575**	**$ 134,575**
Liabilities:						
Trade and other payables	$ (7,588)	$ -	$ -	$ (68,365)	**$ (75,953)**	**$ (75,953)**
Long-term debt[1]	-	-	-	(426,604)	**(426,604)**	**(426,975)**
Forward foreign exchange contracts	-	(1,356)	-	-	**(1,356)**	**(1,356)**
Embedded derivative	-	(703)	-	-	**(703)**	**(703)**
Interest rate swaps	-	(4,284)	-	-	**(4,284)**	**(4,284)**
Earnout liability	(9,107)	-	-	-	**(9,107)**	**(9,107)**
	$ (16,695)	$ (6,343)	$ -	$ (494,969)	**$ (518,007)**	**$ (518,378)**

[1] Excluding the embedded derivative and Earnout liability.

Fair value of financial instruments carried at amortized cost:

Except as detailed below, Clearwater considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements materially approximate their fair values. For cash, trade and other receivables, and trade and other payables, the carrying values approximates their fair values due to the short-term maturity of these instruments. The fair values of the long term receivables are not materially different from their carrying values.

The estimated fair value of Clearwater's long-term debt for which carrying value did not approximate fair value at April 1, 2017 was $47.2 million (December 31, 2016 - $46.8 million) and the carrying value was $47.1 million (December 31, 2016 – $45.6 million). The fair value of long-term debt has been classified as Level 2 in the fair value hierarchy and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

l) Fair value hierarchy:

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

- Level 1: Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

April 1, 2017	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 20,553	$ -	$ -
Forward foreign exchange contracts	-	2,925	-
Interest rate caps, floors and cross-currency swaps	-	55	-
	$ 20,553	$ 2,980	$ -
Financial Liabilities:			
Forward foreign exchange contracts	$ -	$ (1,893)	$ -
Embedded derivative in Term Loan B	-	(287)	-
Interest rate swaps and cross-currency swaps	-	(4,566)	-
Earnout liability	-	-	(9,193)
	$ -	$ (6,746)	$ (9,193)

December 31, 2016	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 39,514	$ -	$ -
Forward foreign exchange contracts		4,637	
Interest rate caps, floors and cross-currency swaps	-	184	-
	$ 39,514	$ 4,821	$ -
Financial Liabilities:			
Forward foreign exchange contracts	$ -	$ (1,356)	$ -
Embedded derivative in Term Loan B	-	(703)	-
Interest rate swaps	-	(4,284)	-
Earnout liability	-	-	(9,107)
	$ -	$ (6,343)	$ (9,107)

There were no transfers between levels during the periods ended April 1, 2017 and December 31, 2016.

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

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

- The embedded derivative is fair valued using a Bloomberg valuation model for interest rate floors.

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

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

To determine the fair value of the Earnout liability three primary sources of risk are assessed (i) the risk associated with the underlying performance of Macduff's EBITDA ("Earnings before interest, taxes, depreciation and amortization"), (ii) the risk associated with the functional form of the Earnout payments; and (iii) the credit risk associated with the future Earnout payments. The fair value of the Earnout payments is estimated based on a Monte Carlo simulation under a risk-neutral framework. The preliminary fair value of the Earnout is estimated based on discounted expected future EBITDA cash flows for Macduff for the five year period ending December 31, 2020 using a Geometric Brownian Motion model. The following inputs and assumptions were used in calculating the fair value of the Earnout including:

- Payments dates: The Earnout will be payable for the periods ending December 31, 2017 through December 31, 2020, based on the expected pattern of the Deferred Obligation and the expected outstanding amount of Deferred Obligation at the end of each year.
- Forecasted EBITDA: Management's five year forecast
- Risk-free rate: 0.759%
- Risk adjusted discount rates: 7.50%-10.00%
- Asset volatility: The estimated asset volatility of Macduff is based on the Merton option pricing model. In the context of calculating the asset volatility, the following inputs to derive the asset volatility were used:
    - Debt value: £19 million
    - Enterprise Value: £100 million
    - Equity value: £81 million
    - Equity volatility: 39%

A risk adjusted payout is calculated at each time period and discounted at the risk-free rate to the valuation date. This process is simulated 100,000 times and the expected value of the Earnout is retrieved. Based on the range of risk adjusted discount rates (per above) the range in fair values determined was between £5.3 million and £5.7 million.

The change in the fair value of the Earnout from December 31, 2016 to April 1, 2017 was an increase of £0.01 million.

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

5. LONG-TERM DEBT

As at		2017		2016
Senior debt:				
Term loan A, due June 2018 (a)	**$**	**49,585**	$	50,218
Term loan B, due June 2019 (a)		**303,975**		306,507
Term loan B, embedded derivative		**287**		703
Revolving facility (a)		**47,900**		23,400
Deferred obligation (b)		**30,071**		29,298
Earnout liability (b)		**9,193**		9,107
Term loan, due June 2017 (c)		**13,328**		13,459
Term loan, due in 2091 (d)		**3,500**		3,500
Other loans		**208**		222
		458,047		436,414
Less: current portion [1]		**(92,135)**		(67,005)
	$	**365,912**	$	369,409

[1] Current portion of long-term debt includes scheduled payments related to the Senior debt; an estimate of the excess cash flow as noted in (a) below, payable in April 2017; Deferred Obligation payments, less accretion during the period and minimum payment related to the Earnout Liability.

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

Term Loan A facility – The Term Loan A consists of an initial term loan of CDN $30.0 million and a delayed draw facility of CDN $30.0 million. The principal outstanding on the initial term as at April 1, 2017 was CDN $23.9 million (December 31, 2016 - CDN $24.2 million). The balance is shown net of deferred financing charges of CDN $0.1 million (December 31, 2016 - CDN $0.1 million). The loan is repayable in quarterly installments of CDN $0.4 million to June 2017 and CDN $0.7 million from September 2017 to March 2018 with the balance due at maturity in June 2018. It bears interest at the applicable banker's acceptance rate plus 3.25%. As at April 1, 2017 this resulted in an effective rate of 4.13%.

The principal outstanding on the Term Loan A delayed draw facility as at April 1, 2017 was CDN $26.0 million (December 31, 2016 - CDN $26.4 million). The balance is shown net of deferred financing charges of CDN $0.3 million (December 31, 2016 - CDN $0.3 million). The facility is repayable in quarterly installments of CDN $0.4 million. The facility matures in June 2018 and bears interest payable monthly at the banker's acceptance rate plus 3.25%. As at April 1, 2017 this resulted in an effective rate of 4.13%.

Term Loan B facility- The principal outstanding as at April 1, 2017 was USD $173.4 million (December 31, 2016 - USD $178.5 million) and CDN $70.2 million (December 31, 2016 - CDN $70.4 million). The loan is repayable in quarterly installments of USD $0.5 million and CDN $0.2 million, with the balance due at maturity in June 2019. The USD balance bears interest payable monthly at the US LIBOR plus 3.50% with a LIBOR interest rate floor of 1.25%, and the CDN balance bears interest at the banker's acceptance rate plus 3.50%. As of April 1, 2017 this resulted in an effective rate of 4.75% on the USD balance and 4.38% on the CDN balance. The embedded derivative represents the fair market value of the LIBOR interest rate floor of 1.25%. The change in fair market value of the embedded derivative was recorded through profit or loss as a component of net finance costs.

Revolving debt facility - Clearwater has a CDN $100.0 million revolving facility that matures in June 2018. The availability of this facility is reduced by the term loan outstanding in note (c), as such the availability as at April 1, 2017 was CDN $38.8 million (December 31, 2016 - CDN $63.1 million). The facility can be drawn in CDN and/or USD. As at April 1, 2017 the balances were CDN $47.9 million (December 31, 2016 - $23.4 million) and US dollars of nil (December 31, 2016 - 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 April 1, 2017 this results in effective rates of 4.13% for CDN balances and 4.42% for USD balances. The facility has standby fees of 0.375%.

The revolver, Term Loan A, delayed draw and Term Loan B are secured by a first charge on cash and cash equivalents, trade and other receivables, inventories, marine vessels, licenses and quotas, and Clearwater's investments in certain subsidiaries.

Clearwater's debt facilities are subject to certain financial and non-financial covenants. Clearwater is in compliance with all covenants associated with its debt facilities as at April 1, 2017.

In addition to the minimum principal payments for Term Loans A and B, the loan agreement requires that between 0% and 50% of excess cash flow (defined in the loan agreement as EBITDA, excluding non-controlling interest in EBITDA and the most significant non-cash and non-recurring items less certain scheduled principal payments, certain capital expenditures and certain cash taxes) be used to repay the principal based on the previous fiscal year's results upon approval of the annual consolidated financial statements. Payments are allocated amongst the term loans on a pro rata basis. During the period ended April 1, 2017, Clearwater repaid nil in principal relating to this requirement (2016 - CDN $18.6 million)

Refer to Note 4 for detail on interest rate caps and swaps that economically hedge interest rate risk on the term loans.

On April 26, 2017, Clearwater replaced its existing credit facilities with USD $250 million senior unsecured notes and an aggregate principal amount of CDN $335 million senior secured credit facilities. See Note 13 for further information.

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

(i) Deferred Obligation - The Deferred Obligation relates to deferred payments for 33.75% of the shares of Macduff acquired by Clearwater (the "Earn Out Shares") in 2015. Excluding the fair value adjustment on acquisition, the principal balance outstanding as at April 1, 2017 is £21.0 million (CDN $35.1 million) (December 31, 2016 - £21.0 million (CDN $34.8 million)) and does not bear interest. The Deferred Obligation is recorded at the discounted amount based on estimated timing of payment and is being accreted to the principal amount over the estimated term using the effective interest method with an effective average interest rate of 7.4%. The following is a reconciliation of the Deferred Obligation:

		GBP		CDN
Balance - December 31, 2015	£	20.9	$	42.9
Accretion - 2016		2.0		3.6
Principal repayment		(5.2)		(8.7)
Effect of movement in foreign exchange		-		(8.5)
Balance - December 31, 2016	£	17.7	$	29.3
Accretion - April 1, 2017		**0.3**		**0.5**
Effect of movement in foreign exchange		**-**		**0.3**
Balance - April 1, 2017	£	**18.0**	**$**	**30.1**

On October 30th of each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the Deferred Obligation. Clearwater has the right to exercise the payout of 20% of the Deferred Obligation annually commencing two years after the date of closing. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout.

On October 30, 2016 the holders of the Earn Out Shares elected to be paid 20% of the outstanding Deferred Obligation. As a result a payment of £5.2 million (CDN - $8.7 million) was made on November 15, 2016.

(ii) Earnout liability - The Earnout liability is unsecured additional consideration to be paid dependent upon the future financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment (refer to Deferred Obligation above). The estimated fair value of the Earnout liability at April 1, 2017 is £5.5 million (CDN - $9.2 million) (December 31, 2016 - £5.5 million, CDN - $9.1 million) based on forecast earnings and probability assessments. The actual Earnout payments are expected to be paid over the next five years.

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

The greater of:

(i) £3.8 million; OR

(ii) up to 33.75% (dependent upon the percentage of Deferred Obligation remaining unpaid each year) of the increase in equity value of the business over five years calculated as 7.5x adjusted EBITDA of Macduff less the outstanding debt of Macduff; and

(iii) 10% of adjusted EBITDA of Macduff above £10 million (dependent upon the percentage of Deferred Obligation remaining unpaid each year)

Refer to Note 4(l) for further information on the process by which Clearwater determines the fair value of the Earnout liability. The Earnout liability is recorded at fair value on the consolidated statement of financial position at each reporting period until paid in cash, with changes in the estimated fair value being recorded as a component of other expense on the statement of earnings (loss). The change in fair value for the period ended April 1, 2017 was an increase (loss) of £0.01 million (CDN $0.02 million).

(c) Term Loan - The principal outstanding as at April 1, 2017 was USD $10.0 million (December 31, 2016 - USD $10.0 million). The loan is held through a Clearwater subsidiary. The loan is non-amortizing, repayable at maturity in June 2017 and bears interest payable monthly at 8.0%.

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

6. SHARE CAPITAL

On June 21, 2016 Clearwater completed the issuance of 3,975,700 common shares at $13.90 per common share for gross proceeds of $55.3 million. Transaction costs associated with the equity issue were $2.2 million and have been deducted, net of deferred taxes of $0.6 million from the recorded amount for the common shares.

Common shares outstanding as at April 1,, 2017 totaled 63,934,698.

Subsequent to the end of the quarter, on May 11, 2017 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on June 2, 2017 to shareholders of record as of May 20, 2017.

7. EARNINGS (LOSS) PER SHARE

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

13 weeks ended		**April 1, 2017**		April 2, 2016
Basic				
Earnings for the period	**$**	**2,172**	$	14,507
Weighted average number of shares outstanding		**63,934,698**		59,958,998
Earnings per share	**$**	**0.03**	$	0.24
Diluted				
Earnings for the period	**$**	**2,172**	$	14,507
Weighted average number of shares outstanding		**64,062,976**		59,958,998
Earnings per share	**$**	**0.03**	$	0.24

The revaluation adjustment on the cash-settled share-based payments for the 13 weeks ended April 1, 2017 results in a dilutive impact on earnings (loss) per share. As a result, for the period ended, April 1, 2017, 128,278 potential ordinary shares were included in the calculation of the weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share.

8. SEGMENT INFORMATION

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

(a) Sales by Species

13 weeks ended		**April 1, 2017**		**April 2, 2016**
Scallops	**$**	**48,001**	$	39,058
Coldwater shrimp		**19,314**		20,955
Lobster		**23,490**		21,558
Clams		**23,494**		18,611
Langoustine		**6,589**		8,922
Crab		**987**		1,438
Groundfish and other shellfish		**6,492**		5,683
	$	**128,367**	$	116,225

(b) Sales by Geographic Region of the Customer

13 weeks ended		**April 1, 2017**		**April 2, 2016**
France	**$**	**26,509**	$	22,171
Scandinavia		**11,321**		7,121
UK		**3,110**		3,057
Other		**14,851**		15,659
Europe		**55,791**		48,008
China		**22,037**		17,823
Japan		**15,590**		15,609
Other		**9,217**		9,538
Asia		**46,844**		42,970
United States		**18,082**		17,310
Canada		**7,443**		7,912
North America		**25,525**		25,222
Other		**207**		25
	$	**128,367**	$	116,225

(c) Non-current Assets by Geographic Region

As at		**April 1, 2017**		**December 2016**
Property, plant and equipment, licenses, fishing rights and goodwill				
Canada	**$**	**297,252**	$	298,517
Argentina		**23,497**		24,055
Scotland		**160,119**		158,077
Other		**249**		260
	$	**481,117**	$	480,909

9. RELATED PARTY TRANSACTIONS

Clearwater rents office space to Clearwater Fine Foods Incorporated ("CFFI") (the controlling shareholder of Clearwater) and provides computer network support services to CFFI. The net amount due from CFFI in respect of these transactions was $0.1 million (December 31, 2016 – net amount due to CFFI of $0.04 million), is unsecured and due on demand.

In June 2016, Clearwater sold an idle vessel to its joint venture, the sales price of CDN $13.5 million dollars was the book value at the time of the sale plus refit costs.

For the period ended April 1, 2017 Clearwater expensed approximately $0.01 million in factory and equipment rentals from companies related to a member of its management team (April 2, 2016 - $0.01 million).

In addition, for the period ended April 1, 2017, Clearwater expensed approximately $0.01 million for goods and services from companies related to its parent (April 2, 2016 - $0.01 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at April 1, 2017 (December 31, 2016 - $0.05 million).

At April 1, 2017, long-term receivables included a balance of $1.4 million (December 31, 2016 - $1.4 million) for interest bearing loans made to a non-controlling interest shareholder in a subsidiary.

10. 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.

11. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital

(excludes change in accrued interest) 13 weeks ended		**April 1, 2017**		April 2, 2016
(Increase) decrease in accounts receivable	$	**(6,264)**	$	4,067
Increase in inventory		**(3,703)**		(3,260)
Decrease in prepaids		**1,962**		2,592
Decrease in accounts payable		**(23,108)**		(20,275)
	$	**(31,113)**	$	(16,876)

[1] Changes in working capital accounts do not tie to the balance sheet as a result of adjustments required under IFRS, including the impact of foreign exchange.

Changes in liabilities arising from financing activities 13 weeks ended		**April 1, 2017**		April 2, 2016
Current and long-term debt - beginning of period	$	**436,414**		480,769
Repayment of long-term debt		**(1,511)**		(1,572)
Net proceeds from revolving credit facility		**24,500**		26,600
Non-cash changes in long-term debt:				
Accretion		**811**		1,602
Fair market value adjustment on embedded derivative and earnout liability		**(407)**		1,795
Fair market value adjustment on earnout liability		**17**		(377)
Amortization of deferred financing costs		**177**		187
Foreign exchange gain on long-term debt		**(1,953)**		(23,167)
Current and long-term debt - end of period	**$**	**458,047**	$	485,838

12. COMPARATIVE INFORMATION

These condensed consolidated interim financial statements contain certain reclassifications of prior year amounts to be consistent with the current period presentation.

In the condensed consolidated interim statement of cash flows, $3.0 million was reclassified from "Foreign exchange and other" to "Changes in non-cash operating working capital" to reflect the impact of foreign exchange on working capital.

In addition, $3.0 million was reclassified from "Dividends paid on common shares" within financing activities, to "Changes in non-cash operating working capital" within operating activities, to reflect that dividends were declared in the first quarter of 2016 but not paid until the second quarter of 2016. This change is also reflected in Note 11, Additional Cashflow Information.

13. SUBSEQUENT EVENTS

Refinancing existing indebtedness

On April 26, 2017, Clearwater completed an offering of USD $250 million senior unsecured notes, due 2025 with a US dollar coupon rate of 6.875% ("the Notes").

Concurrently, Clearwater entered into new senior secured credit facilities in an aggregate principal amount of CDN $335 million, consisting of a CDN $300 million revolving credit facility and a CDN $35 million amortizing secured term loan, each maturing in 2022 (the "Senior Secured Credit Facilities). The Senior Secured Credit Facilities bear interest ranging from LIBOR plus 1.50% to 2.25% for the revolving credit facility and LIBOR plus 2.50% to 3.25% for the secured term loan. The range is determined quarterly based on a ratio of Senior Secured indebtedness to earnings before interest, tax, depreciation and amortization ("EBITDA"), with EBITDA calculated on a trailing twelve month basis.

Clearwater used the net proceeds from the sale of the Notes, together with the new borrowings under the Senior Secured Credit Facilities, to refinance existing senior secured credit facilities (Term Loan A, Term Loan B and revolving credit facility) and intends to use the remainder for general corporate purposes. Total amounts drawn under the Senior Secured Credit Facilities on closing were CDN $93 million.

Concurrent with the repayment of existing senior secured credit facilities, the Company unwound the related interest rate swaps and cross currency swap arrangements.

Quarterly and share information

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

	2017	2016			2015			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales	128,367	165,690	189,457	140,180	116,225	165,503	147,332	116,748
Earnings attributable to:								
Non-controlling interests	1,046	3,800	7,012	3,551	1,305	3,267	6,485	4,123
Shareholders of Clearwater	2,172	8,612	10,847	9,963	14,507	(7,060)	(4,768)	5,616
Per share data								
Basic net (loss) earnings	0.03	0.13	0.03	0.16	0.24	(0.12)	(0.08)	0.10
Diluted net (loss) earnings	0.03	0.13	0.03	0.16	0.24	(0.12)	(0.09)	0.10

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q2	Q1	Q4	Q3	Q2	Q1
Trading price range of shares (board lots)						
Low	11.80	14.55	14.85	13.63	13.43	13.13
Close	9.85	10.69	12.05	9.95	9.91	9.22
Trading volumes (000's)						
Average daily	7,837	5,688	3,995	3,051	3,062	3,030

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