


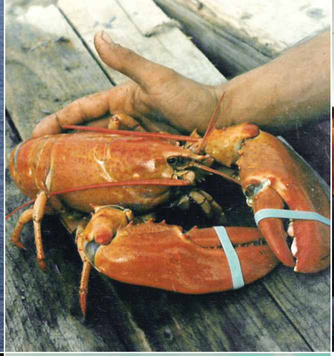



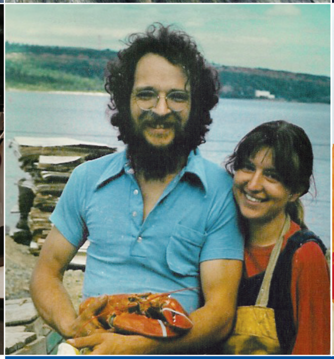

40 YEARS Clearwater

CLEARWATER SEAFOODS INCORPORATED
2017 THIRD QUARTER REPORT

& Growing


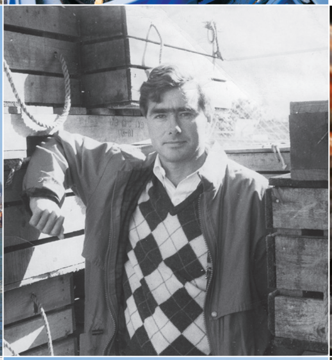









Table of Contents

LETTER TO SHAREHOLDERS

- Third quarter 2017 sales and adjusted EBITDA were $163.6 million and $32.8 million versus 2016 comparative results of $189.5 million and $45.2 million.

- Year to date 2017 sales and adjusted EBITDA were $446.3 million and $80.1 million versus 2016 comparative results of $445.9 million and $91.5 million.

- Improvements in working capital during the quarter, including reductions in clam inventories, yielded cash from operations of $49.9 million in the third quarter 2017 and $15.5 million year to date 2017 as compared to 2016, representing an increase of $31 million for both periods.

- Due to the expectation of continued challenging supply and market conditions related to total allowable catch ("TAC") and procured raw material pricing across several species for the near term, Clearwater is announcing an organizational restructuring to adjust appropriately for these potential conditions. The restructuring will significantly reduce the cost structure to yield annual run rate savings of a minimum of $10.0 million, and will streamline the company's organizational structure. A one-time charge of $6.0 - $8.0 million will be recorded in the fourth quarter of 2017.

- The Board declared a quarterly dividend of $0.05 per share payable on December 1, 2017 to shareholders of record as of November 18, 2017 and confirmed its intention to establish a dividend reinvestment plan ("DRIP").

Quarter and year to date results

Third quarter cash generated from operations increased $31.2 million to $49.9 million driven by working capital improvements of $52.6 million of which $34.5 million was related to inventory and accounts receivable. For the rolling twelve months ended September 30, 2017, working capital improved $80.9 million of which $36.6 million was related to inventory.

The third quarter of 2017 was challenging compared to the same period of 2016. Lower sales volumes of Frozen-at-Sea ("FAS") shrimp, Argentine scallops and langoustines when combined with a stronger Canadian dollar resulted in lower sales and gross margin. Third quarter foreign exchange rates were lower as the Canadian dollar strengthened against the US dollar, GBP and the Yen negatively impacting sales and gross margin by $6.7 million for all currencies ($8.8 million for all currencies – year to date 2017).

Sales volumes for FAS shrimp for both year to date and third quarter 2017 declined 36% from lower TAC levels, timing of landings late in the quarter and the completion of a scheduled vessel refit. Slower market conditions for langoustines in the European Union reduced sales volumes and price, while delays in landings and processing for Argentine scallops reduced available supply in the quarter.

Third quarter selling prices in home currency for clams and turbot were down as compared to the same period of 2016. Year to date, clam sales volumes have increased 56% as pricing and promotional incentives that began late in the third quarter of 2016 continue to bear fruit. These programs have been effective in increasing our channel penetration as well as customer and geographic distribution but at lower prices and margins than prior year.

Debt and Leverage

Leverage for the rolling twelve-month period ending September 30, 2017 increased to 5.0x adjusted EBITDA from 4.2x on October 1, 2016 as a result of lower adjusted EBITDA due to lower sales volumes for FAS shrimp, langoustines and lower clam margins and higher debt balances related to our major capital expenditure program which will be completed by the end of the year.

We expect leverage at the end of 2017 to be lower as we continue to generate cash and reduce inventory levels through our peak selling period.

Organization restructuring

We expect challenging supply and market conditions related to TAC and procured raw material pricing across several species, as well as foreign exchange volatility to persist into 2018. To adjust appropriately for these potential conditions, we have undertaken a restructuring that will significantly reduce our cost structure and capital spending as well as streamline the company's organization structure. As part of this restructure, we will streamline the company's leadership including the elimination of three executive roles - President of Global Markets, President of Global Supply Chain and Chief Information Officer effective immediately.

These changes represent minimum annual cost savings of $10 million and will result in a one-time charge of $6.0 - $8.0 million in the fourth quarter of 2017.

Arctic Surf Clam Partnership

Thirteen Mi'kmaq communities from across Nova Scotia announced they are coming together for a significant opportunity to participate in the commercial Arctic Surf Clam fishery following the invitation by the Minister of Fisheries, Oceans and Canadian Coast Guard for applications for a 4th licence in this fishery. An announcement made by Chief Terrance Paul, Assembly of Nova Scotia Mi'kmaq Chiefs Co-Chair, speaking on behalf of the thirteen nations, said the thirteen bands are working together and have submitted an application for the surf clam license.

The Nova Scotia Mi'kmaq also announced they are partnering with industry leaders, Clearwater Seafoods on the application, confirming that Clearwater will act as an operating partner and the license will be 100% Mi'kmaq owned. Working with an established operator in this fishery follows a proven economic development model used by many of the thirteen communities in other industry sectors for the benefit of all communities.

Dividends

The Board declared a quarterly dividend of $0.05 per share payable on December 1, 2017 to shareholders of record as of November 18, 2017.

The Board confirmed its intent to establish a dividend reinvestment plan ("DRIP") and the Company has submitted a draft plan to the TSX for pre-clearance.

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.

OUTLOOK

The Company expects continued strength in cash from operations. Following the successful completion of a 5 year fleet renewal program in 2017, capital spending is expected to decline by $60-70 million in 2018**.**

We are taking action to restructure the organization and remain 100% committed to our core business and strategies.

The powerful seafood industry fundamentals, value proposition and competitive advantages that form the foundation of Clearwater's vertically integrated business model and ability to generate long-term shareholder value remain strong.

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 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.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
November 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective November 9, 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 third quarter news release.

This MD&A should be read in conjunction with the 2017 third 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 contains "forward-looking information" as defined under applicable Canadian securities legislation. Forward-looking information typically, but not always, contains statements with words such as "anticipate", "does not anticipate", "believe", "estimate", "forecast", "intend", "expect", "does not expect", "may", "will", "should", "plan", or other similar terms that are predictive in nature. All statements other than statements of historical fact, including, without limitation, statements regarding future strategies, 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.

For additional information with respect to risk factors applicable to Clearwater, reference should be made to those factors discussed under the heading "Risks and Uncertainties" in this management discussion and analysis and 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 items such as debt refinancing and repayments changes in the revolving loan and 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. Regulatory authorities strictly control access to quota and rarely grant new licenses.

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.

Q3 updates on activities impacting our strategic pillars and our capability to deliver results:

Strategies

1. **Expanding Access to Supply** – Catch rates continue to be strong for our core species of clams, sea and Argentine scallops.

2. **Target profitable & growing markets, channels & customers** – Global demand for shellfish continues to remain strong. Clearwater continues to focus on clam market expansion through ecommerce channels in China and the introduction of new clam products in North America. Macduff products including langoustines and crab have made inroads in North America.

3. **Innovate and position products to deliver superior customer satisfaction and value** – Clearwater continues to offer new products to consumer and food service customers, including hand peeled deveined Norway lobster tails and rock crab claw within the North American market.

4. **Increase margins by improving price realization and cost management –** Our procured species have seen increases in raw material costs and many of these costs have been passed on to our customers through increased prices. For clam, pricing incentives, that have been effective in increasing volumes, are expected to be maintained through to the end of the year. While demand generally remains strong there are some species that have seen a stabilization of demand. Some sales have been shifted to other markets that yield higher returns. Focus remains on price maximization with increasing efforts to effectively manage costs. The Company announced an organization restructuring targeting annualized savings of $10 million.

5. **Pursue and preserve the long-term sustainability** – Clearwater undertakes key research initiatives to support the long term sustainability of our fisheries. Innovative ocean bottom mapping research and analysis, which Clearwater has conducted in partnership with the Nova Scotia Community College continues to progress into the third quarter.

   In addition, on an annual basis Clearwater, in collaboration with other industry participants, has undertaken video monitoring research for Canadian scallop which is adding to our understanding of resource dynamics and informing management and harvest strategies that support long term sustainability.

6. **Build organizational capability, capacity & engagement** – Clearwater successfully completed the expansion of the clam network processing expansion project in the third quarter of 2017, successfully creating 50 additional jobs in Glace Bay, Nova Scotia.

Capability to Deliver Results

- **Liquidity and Capital Resources** – Third quarter cash generation was the strongest in the company's history, driven by working capital. For the rolling twelve months ended September 30, 2017, working capital improved $80.9 million of which $36.6 million was related to inventory.

- **Total allowable catch** – On September 6, 2017 the Department of Fisheries and Oceans ("DFO") announced their intention to create a fourth license and allocate 25% of the existing quota to that license. On November 2, 2017 the Assembly of Nova Scotia Mi'kmaq Chiefs submitted a proposal to DFO for the license. We are honoured to have be chosen to be the operational partner.

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		**September 30 2017**		October 1 2016		October 3 2015
Profitability						
Sales	**$**	**611,955**	$	611,365	$	458,940
Sales growth		**0.1%**		33.2%		5.2%
Gross margin[1]	**$**	**109,570**	$	160,883	$	118,052
Gross margin[1] (as a % of sales)		**17.9%**		26.3%		25.7%
Adjusted EBITDA[1]		**109,566**		130,477		96,593
Adjusted EBITDA attributable to shareholders[1]	**$**	**91,387**	$	106,792	$	74,577
Adjusted EBITDA attributable to shareholders (as a % of sales)[1]		**14.9%**		17.5%		16.2%
Earnings attributable to shareholders		**35,326**		28,257		(34,535)
Adjusted Earnings attributable to shareholders[1]		**11,069**		42,453		34,295
Cash Flows and Leverage						
Cash from operations	**$**	**94,964**	$	51,048	$	49,653
Free cash flows[1]	**$**	**26,679**	$	9,209	$	11,908
Leverage[1]		**5.0**		4.2		3.3
Returns						
Return on assets[1]		**8.6%**		12.3%		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 September 30, 2017, the three-year compound annual growth rate for sales and adjusted EBITDA was 11.9% and 9.3%, respectively despite the challenging headwinds in 2017.

The continued 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. Improvements in Total Allowable Catch ("TAC") rates and continued strong home currency prices for scallops contributed to this growth.

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. Clearwater does not apply hedge accounting to its foreign forward exchange contracts related to sales and long-term debt therefore the change in fair value of such contracts plus the translation of foreign currency denominated debt and working capital amounts can cause significant volatility in Clearwater's earnings. Clearwater does apply hedge accounting to foreign forward exchange contracts related to USD denominated interest payments.

Gross margin has declined to 18.1% as a percentage of sales for the twelve month rolling period ending September 30, 2017, from 25.9% in the same period of 2016 as strong sales volumes and prices were offset by changes in overall product mix weighted towards products with lower margins for shrimp, clams and both sea and Argentine scallops. In addition lower catch rates for shrimp, resulting from a combination of difficult weather conditions and lower TAC, and a scheduled refit for one of the vessels, contributed to the decline in margin. Distribution incentives on clam sales volumes that were introduced in the last half of 2016, resulted in lower sales prices, as compared to the same period of 2016 when demand had significantly outstripped available supply. In addition, lower average foreign exchange rates as the Canadian dollar strengthened against the US dollar, Euro, GBP and Yen in 2017, contributed to the decline in sales and margins.

Earnings attributable to shareholders for the rolling twelve month period ending September 30, 2017 increased $7.1 million to $35.3 million as compared to the same period in 2016 primarily as a result of volatility in foreign exchange realized and unrealized forward contracts and long term debt, reductions in acquisition costs partially offset by lower margins.

Challenging supply conditions across several species as well as foreign exchange volatility significantly reduced Clearwater's performance in the third quarter of 2017. In response to these challenges that may carry over into 2018, the Company announced an organization restructuring which will be recorded in the fourth quarter of 2017.

Free cash flow increased to $26.7 million for the rolling twelve months in 2017 from $9.2 million in the same comparative period in 2016 primarily as a result working capital improvements which improved $80.9 million, of which $36.6 million was related to inventory, partially offset by higher capital expenditures

Leverage for the rolling twelve month period ending September 30, 2017 increased to 5.0x adjusted EBITDA from 4.2x on October 1, 2016 from a reduction in Adjusted EBITDA that resulted from lower margins for clams and shrimp and higher debt balances related to the major capital expenditure program which will be completed by the end of the year.

We expect leverage to be lower at the end of 2017 as we continue to generate cash and reduce inventory.

Return on assets declined to 8.6% from 12.3% 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 and capital expenditures.

EXPLANATION OF CHANGES IN EARNINGS

Overview

The interim consolidated Financial Statements reflect the results of Clearwater for the 13 and 39 weeks ended September 30, 2017 and October 1, 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.

	13 weeks ended			39 weeks ended		
In 000's of Canadian dollars	**September 30 2017**	October 1 2016	Change	**September 30 2017**	October 1 2016	Change
Sales	**$ 163,597**	$ 189,457	$ (25,860)	**$ 446,265**	$ 445,862	$ 403
Cost of goods sold[1]	**135,791**	137,467	(1,676)	**365,648**	330,193	35,455
Gross margin	**27,806**	51,990	(24,184)	**80,617**	115,669	(35,052)
	17.0%	*27.4%*		***18.1%***	*25.9%*	
Administrative and selling	**11,867**	20,276	(8,409)	**41,669**	48,680	(7,011)
Net finance costs	**8,702**	3,600	5,102	**26,949**	22,471	4,478
(Gains) losses on contract derivatives	**(4,782)**	7,077	(11,859)	**(6,320)**	1,093	(7,413)
Foreign exchange (gains) losses on long term debt and working capital	**(6,959)**	77	(7,036)	**(15,493)**	(11,746)	(3,747)
Other (income) expense	**(2,841)**	(2,772)	(69)	**(6,036)**	(4,478)	(1,558)
Research and development	**700**	1,050	(350)	**1,861**	2,279	(418)
	6,687	29,308	(22,621)	**42,630**	58,299	(15,669)
Earnings (loss) before income taxes	**21,119**	22,682	(1,563)	**37,987**	57,370	(19,383)
Income tax expense	**1,539**	4,823	(3,284)	**3,197**	10,185	(6,988)
Earnings (loss)	**$ 19,580**	$ 17,859	$ 1,721	**$ 34,790**	$ 47,185	$ (12,395)
Earnings (loss) attributable to:						
Non-controlling interest	**$ 4,526**	$ 7,012	$ (2,486)	**$ 8,075**	$ 11,868	$ (3,793)
Shareholders of Clearwater	**15,054**	10,847	4,207	**26,715**	35,317	(8,602)
	$ 19,580	$ 17,859	$ 1,721	**$ 34,790**	$ 47,185	$ (12,395)

Sales by region

In 000's of Canadian dollars	13 weeks ended September 30 2017	October 1 2016	Change	39 weeks ended September 30 2017	October 1 2016	Change
Europe	**$ 56,285**	$ 69,836	$ (13,551)	**$ 168,942**	$ 171,078	$ (2,136)
China	**26,057**	33,567	(7,510)	**68,475**	67,706	769
Japan	**23,242**	26,458	(3,216)	**56,856**	61,151	(4,295)
Other Asia	**7,421**	7,613	(192)	**29,947**	28,246	1,701
Asia	**56,720**	67,638	(10,918)	**155,278**	157,103	(1,825)
United States	**22,810**	24,168	(1,358)	**63,418**	61,724	1,694
Canada	**27,717**	27,815	(98)	**58,176**	55,895	2,281
North America	**50,527**	51,983	(1,456)	**121,594**	117,619	3,975
Other	**65**	-	65	**451**	62	389
	$ 163,597	$ 189,457	$ (25,860)	**$ 446,265**	$ 445,862	$ 403

Sales by species[1]

In 000's of Canadian dollars	13 weeks ended September 30 2017	October 1 2016	Change	39 weeks ended September 30 2017	October 1 2016	Change
Scallops	**$ 44,253**	$ 58,514	$ (14,261)	**$ 146,428**	$ 140,777	$ 5,651
Lobster	**27,192**	31,282	(4,090)	**77,162**	79,381	(2,219)
Clams	**25,663**	24,280	1,383	**74,215**	61,074	13,141
Coldwater shrimp	**18,172**	24,193	(6,021)	**48,001**	64,126	(16,125)
Crab	**16,518**	14,764	1,754	**32,090**	27,089	5,001
Langoustine	**11,218**	14,873	(3,655)	**28,770**	34,131	(5,361)
Whelks	**6,050**	4,873	1,177	**22,071**	18,843	3,228
Ground fish and other shellfish	**14,531**	16,678	(2,147)	**17,528**	20,441	(2,913)
	$ 163,597	$ 189,457	$ (25,860)	**$ 446,265**	$ 445,862	$ 403

Clearwater reported year to date sales of $446.3 million versus 2016 comparative results of $445.9 million and sales of $163.6 million for the third quarter of 2017 versus 2016 comparative results of $189.5 million.

The third quarter of 2017 was a challenging quarter as compared to the same period of 2016. Lower sales volumes of Coldwater shrimp, Argentine scallops, lobster and langoustines when combined with a stronger Canadian dollar resulted in lower sales. For 2017 lower average foreign exchange rates as the Canadian dollar strengthened against the US dollar, GBP and the Yen negatively impacted sales prices and reduced sales for a net impact $6.7 million for all currencies.

Sales prices in home currency for clams and turbot were down as compared to the previous period. Clam sales volumes increased 56% with the continuation of pricing incentives that began late in the third quarter of 2016. These programs have been effective in expanding our channel, customer and geographic distribution bases for clams.

Several key factors impacted 2017 sales:

- Sales volumes for coldwater shrimp declined 36% as a result of lower Total Allowable Catch ("TAC") levels, difficult harvesting conditions earlier in 2017, and a scheduled refit. Fishing in the third quarter of 2017 has higher than expected catch rates with higher valued catch.
- Slower market conditions for langoustines reduced sales volumes and price.
- Clam sales volumes increased 56%, partially offset by declines in home currency prices from pricing incentives, resulting in an overall increase in clam sales of 24.8% on a year-to-date basis.
- Average foreign exchange rates on sales were lower as the Canadian dollar strengthened against the GBP, Yen and US dollar, resulting in a negative net impact to sales of $8.8 million for year to date 2017 for all currencies.

Coldwater shrimp

- A combination of lower available supply of coldwater shrimp resulting from a reduction in harvesting days as one vessel was on a scheduled refit and harvesting in more northerly areas that reduced catch rates but produced a higher sales value mix reduced sales volumes as compared to the same periods in 2016. Available supply for shrimp will be lower for 2017 as a result of the reductions in TAC.
- Third quarter selling prices were higher than 2016 third quarter despite lower foreign exchange rates as a more valuable catch was harvested from northern fishing areas and the cooked and peeled market recovered due to overall lower industry volumes. For the year to date period average sales prices are down due to changes in sales mix weighted towards products with lower sales prices and lower average foreign exchange rates.

Clams

- Sales volumes increased 45% and 56% in the third quarter and year to date periods. Harvesting and catch rates continue to be strong. Pricing incentives implemented late in the third quarter of 2016 have been continued and have resulted in higher sales volumes.
- Sales prices were negatively impacted by changes in sales mix weighted towards product with lower market prices. Inventory volumes have remained consistent with the fourth quarter of 2016.

Argentine Scallops

- Sales volumes declined for both the third quarter and year-to-date periods of 2017 as compared to the same periods in 2016 as a result of timing of landings and production delays.
- Market demand continues to remain strong resulting in strong home currency prices within Europe, offset by sales mix weighted towards products with lower sales prices and lower average foreign exchange rates.

Sea Scallops

- For the third quarter, home currency sales prices were lower than prior year as prices come off of historical highs. Lower average foreign exchange rates, as the Canadian dollar strengthened against the US dollar, also contributed to a decline in sales.
- Higher sales volumes resulted from strong catch rates and larger sizes during the year-to-date period. Market demand is stable and available supply has been allocated to higher yielding markets.

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

Sales for year-to-date and third quarter 2017 declined $2.1 million and $13.6 million, to $168.9 million and $56.3 million, respectively as compared to the same period of 2016. For both year to date and third quarter 2017, lower average foreign exchange rates as the Canadian dollar strengthened against the GBP resulting in a net negative impact of $2.4 million and $0.8 million, respectively to sales.

For the third quarter, lower available supply, due to timing of landings for Argentine scallops resulted in lower sales. Lower sales volumes and prices in home currency for langoustines also contributed to the decline in sales.

Higher sales volumes for sea scallops and timing of sales for cooked and peeled shrimp partially offset the decline in sales.

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

Sales for year-to-date 2017 increased $0.8 million primarily as a result of a 44% increase in sales volumes for clams, partially offset by pricing incentives for clams and lower available supply for coldwater shrimp.

Sales for the third quarter of 2017 declined $7.5 million as compared to the same period in 2016 primarily as a result of lower sales volumes for turbot from the timing of landings.

Sales in China are almost exclusively transacted in US dollars. Both periods were negatively impacted by lower average foreign exchange rates as the Canadian dollar strengthened against the US dollar. For the third quarter 2017 average foreign exchange rates declined 4.4% to a net negative impact to sales of $1.3 million.

Japan

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

Sales for year-to-date and the third quarter of 2017 declined $4.3 million and $3.2 million respectively as compared to the same period of 2016 primarily as a result of lower available supply for coldwater shrimp and lower clam prices due to the continued use of pricing incentives to increase volumes. Higher sales volumes for clams partially offset the decline in sales.

Sales in Japan are typically transacted in Yen. Both periods were negatively impacted by lower average foreign exchange rates as the Canadian dollar strengthened against the Yen. For the third quarter 2017 average foreign exchange rates declined 15.4% to a net negative impact to sales of $2.6 million. For year-to-date 2017 average foreign exchange rates declined 8.1% to a net negative impact to sales of $3.1 million.

Other Asia
The Other Asia region includes Korea, Taiwan, Singapore and other Asian countries. Whelk, clams and lobster are key products for these markets.

Sales increased for year-to-date 2017 by $1.7 million as compared to the same periods for 2016. The increase in sales was due to a combination of strong demand and higher available supply for whelk, resulting in higher sales volumes.

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

Sales for year to date 2017 increased $1.7 million to $63.4 million primarily as a result of higher sales volumes for clams and lobster. Sales prices for clams were lower due to pricing incentives and changes in sales mix were weighted towards lower selling prices. The increase in sales was partially offset by lower available supply for scallops as available inventory was sent to higher yielding markets.

Sales in the third quarter of 2017 declined $1.4 million to $22.8 million primarily as a result of lower available supply for scallops, partially offset by higher sales volumes for lobster and clams.

Sales for both year to date and third quarter 2017 were negatively impacted by lower average foreign exchange rates as the Canadian dollar strengthened against the US dollar. For the third quarter 2017 average foreign exchange rates declined 4.4% to a net negative impact to sales of $1.0 million. For year to date 2017 average foreign exchange rates declined 1.0% to a net negative impact to sales of $0.4 million.

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

Sales for year-to-date 2017 increased $2.3 million to $58.2 million primarily as a result of higher sales volumes for lobster and snow crab. Sales prices for the majority of species increased for the period and in addition changes in sales mix weighted towards products with higher sales prices contributed to the increase in sales.

Cost of Goods Sold

Cost of goods sold includes harvesting and procurement costs, manufacturing costs, depreciation, transportation and administration. Cost of goods sold increased for year-to-date 2017 by $35.5 million primarily as a result of higher sales volumes, higher harvesting costs for scallops and from lower catches for FAS shrimp caused by one vessel being on planned refit. Higher procurement costs for lobster, crab, whelk and langoustines also contributed to the increase in costs of goods sold.

Cost of goods sold declined $1.7 million for the third quarter of 2017 as compared to the same period in 2016 primarily as a result of lower sales volumes for Argentine scallops, shrimp and turbot. Higher harvesting per pound costs for scallops and procurement costs for langoustines and changes in sales mix for lobster for product weighted towards higher costs, partially offset the decline in cost of goods sold.

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, crab, langoustines and whelks.

Gross margin

Gross margin for year-to-date and third quarter of 2017 declined $35.1 million and $24.2 million, respectively, as compared to the same period for 2016 to $80.6 million and $27.8 million. Gross margin as a percentage of sales for year to date and the third quarter of 2017 was 18.1% and 17.0%, respectively, versus 25.9% and 27.4% for the 2016 comparative periods.

Gross margin declined in the third quarter due to lower volumes of coldwater shrimp, a species that traditionally has had higher gross margins. The drop in volumes was due to lower TAC and catch rates. In the third quarter of 2016, pricing incentives were introduced to increase market penetration and expansion for clams. These remain in place and have been successful creating new distribution channels and markets that resulted in higher sales volumes but at lower margins. The timing of Argentine scallop landings and processing resulted in lower volumes versus the third quarter of 2016 which contributed to the lower gross margin. A stronger Canadian dollar also contributed to the decline. The Canadian dollar strengthened against the US dollar, GBP, Yen, negatively impacting sales and margins by $6.7 million for third quarter period.

Gross margin for the year to date period declined due to lower volumes of coldwater shrimp, lower clam prices, lower volumes of langoustines and higher acquisition costs of procured species. Lower average foreign exchange rates reduced gross margins by $8.8 million as the Canadian dollar was stronger.

				13 weeks ended				39 weeks ended
	September 30 2017		October 1 2016		**September 30 2017**		October 1 2016	
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1]	**% sales**	**Average rate realized[1]**	% sales	Average rate realized[1]
US dollars	**42.1%**	**1.247**	40.7%	1.305	**39.8%**	**1.299**	46.3%	1.312
Euros	**23.3%**	**1.464**	25.9%	1.462	**25.7%**	**1.459**	18.9%	1.460
Canadian dollar and other	**11.8%**		11.3%		**12.0%**		14.3%	
UK pounds	**10.2%**	**1.636**	9.4%	1.713	**10.5%**	**1.665**	3.1%	1.796
Japanese Yen	**11.7%**	**0.011**	10.5%	0.013	**9.8%**	**0.012**	12.9%	0.012
Danish Kroner	**0.9%**	**0.200**	2.2%	0.196	**2.2%**	**0.196**	4.5%	0.199
	100.0%		100.0%		**100.0%**		100.0%	

Administrative and selling

In 000's of Canadian dollars	**September 30 2017**	October 1 2016	Change	**September 30 2017**	October 1 2016	Change
			13 weeks ended			39 weeks ended
Salaries and benefits	**$ 9,445**	$ 11,857	$ (2,412)	**$ 30,134**	$ 32,669	$ (2,535)
Share-based incentive compensation	**(632)**	3,455	(4,087)	**292**	5,205	(4,913)
Employee compensation	**8,813**	15,312	(6,499)	**30,426**	37,874	(7,448)
Consulting and professional fees	**3,223**	4,081	(858)	**10,842**	8,541	2,301
Other	**1,691**	2,364	(673)	**4,729**	5,649	(920)
Reorganizational costs	**-**	131	(131)	**179**	153	26
Selling costs	**517**	482	35	**2,010**	1,928	82
Travel	**707**	856	(149)	**2,312**	2,831	(519)
Occupancy	**391**	346	45	**1,167**	1,523	(356)
Allocation to cost of goods sold	**(3,475)**	(3,296)	(179)	**(9,996)**	(9,819)	(177)
	$ 11,867	$ 20,276	$ (8,409)	**$ 41,669**	$ 48,680	$ (7,011)

Administrative and selling declined $7.0 million and $8.4 million for the year-to-date and third quarter of 2017, respectively as compared to the same periods in 2016 primarily as a result of lower stock based compensation and incentive based costs.

Salaries and benefits decreased $2.5 million and $2.4 million in the year-to-date and third quarter of 2017 as compared to the same periods in 2016 primarily as a result of lower incentive based costs.

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

Consulting and professional fees include operations management, legal, audit and accounting, insurance, information technology support and other specialized consulting services. Consulting and professional fees increased year-to-date 2017 as a result of specialized fees in support of the enterprise resource planning system ("ERP") and international advisory services.

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	13 weeks ended September 30 2017	October 1 2016	Change	39 weeks ended September 30 2017	October 1 2016	Change
Interest and bank charges	$ **7,532**	$ 5,213	$ 2,319	$ **20,779**	$ 17,998	$ 2,781
Amortization of deferred financing charges and accretion	**409**	517	(108)	**1,150**	1,635	(485)
	7,941	5,730	2,211	**21,929**	19,633	2,296
Interest rate swaps and caps [1]	**-**	(1,398)	1,398	**(4,348)**	(361)	(3,987)
Accretion on deferred consideration	**560**	688	(128)	**1,679**	2,741	(1,062)
Fair value adjustment on embedded derivative	**-**	(1,520)	1,520	**(703)**	358	(1,061)
Debt settlement[2] and refinancing fees	**201**	100	101	**8,392**	100	8,292
	761	(2,130)	2,891	**5,020**	2,838	2,182
	$ **8,702**	$ 3,600	$ 5,102	$ **26,949**	$ 22,471	$ 4,478

(1) Interest rate swaps and caps represents unrealized (gains) losses as a result of the change in fair value during the period. Realized amounts are reflected in interest expense and bank charges and debt settlement and refinancing fees.

(2) Debt settlement includes loss on settlement of existing interest rate swaps and cross currency swaps and cap, forward foreign exchange contracts, remaining unamortized deferred financing costs and accretion.

Interest and bank charges increased $2.8 million and $2.3 million for the year-to-date and third quarter of 2017, respectively as compared to the same periods in 2016 primarily as a result of higher average debt balances at the end of the third quarter of 2017. Debt balances increased as a result of higher working capital balances for inventory. In addition, funding for the construction of the Anne Risley, the clam replacement vessel, contributed to the increase in debt balances.

Variances in **amortization of deferred financing charges and accretion** resulted from the refinancing of the term loan facilities in the second quarter of 2017.

The **interest rate swaps and caps** related 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. The change in the mark-to-market represented changes in relative expected future interest rates and foreign exchange impacts as the Canadian dollar strengthened against the US dollar in 2016. As part of the refinancing which occurred early in the second quarter of 2017, these instruments were settled and derecognized.

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 2017 relates to timing of non-cash adjustments in the first quarter of 2016, partially offset by changes in foreign spot 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. In May 2017 the Term Loan B loan agreement was refinanced including the Libor floor provision, and related embedded derivative was extinguished at that time.

(Gains) losses[1] on contract derivatives

In 000's of Canadian dollars	13 weeks ended September 30 2017	October 1 2016	Change	39 weeks ended September 30 2017	October 1 2016	Change
Realized (gain) loss						
Forward foreign exchange contracts	**$ (5,261)**	$ 2,350	(7,611)	**$ (5,526)**	$ 7,107	(12,633)
Unrealized (gain) loss						
Forward foreign exchange contracts	**479**	4,727	(4,248)	**(794)**	(6,014)	5,220
	$ (4,782)	$ 7,077	(11,859)	**$ (6,320)**	$ 1,093	(7,413)

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 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, Clearwater estimates of the fair value of the financial derivative 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.

Realized gains on settled forward contract derivatives increased $12.6 million and $7.6 million for the year-to-date and third quarter of 2017, respectively versus the same comparative period in 2016. The increase is primarily due to average contracted rates for USD and Yen being higher than the spot rate on the date of settlement in 2017. These gains partially offset the negative foreign exchange impacts on sales.

The decrease in unrealized gains of $5.2 million for year-to-date and decrease in unrealized losses of $4.2 million for the third quarter as compared to the same period in 2016 is dependent on average contracted rates as compared to the forward rates based on maturity.

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	13 weeks ended September 30 2017	13 weeks ended October 1 2016	13 weeks ended Change	39 weeks ended September 30 2017	39 weeks ended October 1 2016	39 weeks ended Change
Realized (gain) loss						
Long-term debt and working capital	**$ 59**	$ (1,978)	$ 2,037	**$ 4,112**	$ 7,027	$ (2,915)
Unrealized (gain) loss						
Foreign exchange on long-term debt and working capital	**(11,286)**	3,322	(14,608)	**(27,092)**	(23,928)	(3,164)
Forward exchange contracts, cross currency swaps and cap related to long-term debt	**4,268**	(1,267)	5,535	**7,487**	5,155	2,332
	(7,018)	2,055	(9,073)	**(19,605)**	(18,773)	(832)
	$ (6,959)	$ 77	$ (7,036)	**$ (15,493)**	$ (11,746)	$ (3,747)

Realized foreign exchange losses on long-term debt and working capital for the year-to-date decreased $2.9 million compared to 2016 primarily as a result of the devaluation of the Peso against the Canadian and US dollar that occurred in 2016 that impacted working capital accounts and the translation of intercompany balances due related to wholly owned subsidiaries classified as foreign operations for accounting purposes.

Unrealized foreign exchange gains on long-term debt and working capital for year-to-date and third quarter of 2017 increased $3.2 million and $14.6 million, respectively. The increase in unrealized gains is primarily due to the translation of the USD Notes (USD $250.0 million) which replaced the existing USD term debt in Q2 2017 as the Canadian dollar strengthen against the USD in 2017.

In Q2 2017, the cross currency swaps and cap were unwound as part of the refinancing of long-term debt. In the second and third quarter of 2017, Clearwater entered into forward foreign exchange contracts to hedge approximately 80% of the notional amount of the USD Notes.

1 – Refer to discussion on risks and uncertainties

Other (income) expense

In 000's of Canadian dollars	13 weeks ended September 30 2017	October 1 2016	Change	39 weeks ended September 30 2017	October 1 2016	Change
Share of earnings of equity-accounted investee	**(1,957)**	(721)	(1,236)	**(3,410)**	(313)	(3,097)
Export rebate income	**(271)**	(585)	314	**(1,011)**	(2,077)	1,066
Fair value adjustment on earn-out liability	**(286)**	(516)	230	**(666)**	(1,386)	720
Other (income) fees	**(100)**	(809)	709	**(640)**	(1,346)	706
Royalties, interest income and other fees	**(239)**	(256)	17	**(388)**	(630)	242
Acquisition related costs	**$ 12**	$ 115	(103)	**$ 79**	$ 1,274	(1,195)
	$ (2,841)	$ (2,772)	(69)	**$ (6,036)**	$ (4,478)	(1,558)

Share of earnings in equity-accounted investee increased year-to-date 2017 primarily as a result of timing of landings and higher catch rates in comparison with the same periods 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.

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).

Royalties, interest income 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 2017 and 2016 related to the acquisition and integration of Macduff Shellfish.

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 decrease in income tax expense of $7.0 million and $3.3 million for year-to-date and third quarter of 2017 as compared to the same period for 2016 is primarily due to decrease in 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 $3.8 million for year to date 2017 and $2.5 million for the third quarter relates primarily to lower availability of shrimp from difficult weather conditions in the first quarter and a vessel refit, partially offset by strong catch rates for Argentine scallops.

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 $8.6 million in year to date 2017 due to lower margins for clams, shrimp and Argentine scallops, partially offset by higher realized foreign exchange gains on forward contracts and lower incentive base programs.

In the third quarter of 2017, earnings attributable to shareholders increased $4.2 million from higher realized gains of $7.6 million on forward contracts as average contracted rates were lower than spot at settlement. Lower sales volumes and margins for clams, shrimp and Argentine scallops partially offset the improvement in earnings.

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] for the year to date and third quarter of 2017 decreased $13.2 million and $10.7 million, respectively as lower margins and higher depreciation rates were partially offset by increased income from a joint venture which is accounted for under the equity method.

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 USD senior unsecured notes, 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 Net Adjusted EBITDA[1] attributable to shareholders. 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 September 30, 2017 and December 31, 2016:

In 000's of Canadian dollars As at		**September 30** **2017**		December 31 2016
Equity				
Share capital	**$**	**210,860**	$	210,860
Contributed surplus		**2,690**		1,419
Deficit		**5,431**		(4,793)
Accumulated other comprehensive income		**(41,486)**		(38,931)
		177,495		168,555
Non-controlling interest		**18,232**		19,930
		195,727		188,485
Long-term debt				
Senior debt, non-amortizing				
Revolving debt, due in 2022[1]		**97,416**		-
Revolving debt, due in 2018[2]		**-**		23,400
Term loan, due in 2018		**12,463**		13,459
Term loan, due in 2091		**3,500**		3,500
		113,379		40,359
Senior debt, amortizing				
USD senior unsecured notes, due 2025[3]		**304,477**		-
Term Loan B, due 2022[4]		**34,415**		-
Term Loan A, due 2018[5]		**-**		50,218
Term Loan B, due 2019[6]		**-**		307,210
		339,073		357,650
Deferred Obligation[7]		**31,197**		29,298
Earnout liability[7]		**7,277**		9,107
Total long term debt		**490,926**		436,414
Total capital	**$**	**686,653**	$	624,899

[1] The revolving loan availability, subject to financial covenants, allows Clearwater to borrow a maximum of approximately CDN $40 million and is net of unamortized deferred financing charges of $2.6 million. As of September 30, 2017, this resulted in an effective rate of approximately 3.30%. The availability on this loan is reduced by the amount outstanding on a USD $10 million non-amortizing term loan.

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

[3] USD senior unsecured notes is net of unamortized deferred financing charges of $7.3 million with a US dollar coupon rate of 6.875%. This resulted in an effective rate of approximately 7.198%.

[4] Term Loan B is net of unamortized deferred financing charges of $0.6 million. As of September 30, 2107, this resulted in an effective rate of approximately 3.92%.

[5] Term Loan A is net of unamortized deferred financing charges at December 31, 2016 of $0.4 million and bears interest at the applicable banker's acceptance rate plus 3.25%.

[6] Term Loan B is a USD loan, shown net of unamortized deferred financing charges at December 31, 2016 of $1.1 million and bears interest at US Libor plus 3.5% with a Libor floor of 1.25%.

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

Equity

There are 63,934,698 shares outstanding as of September 30, 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"). As of Q3 2017, Clearwater entered into forward foreign exchange contracts to hedge approximately 80% of the notional value of the Notes at an average rate of 1.2844 and approximately 80% of the coupon payments at an average rate of 1.2867.

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 used 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 $44.2 million) and the principal amount of the deferred obligation at September 30, 2017 was £21.0 million, recorded at a discounted amount of £18.7 million (CDN $31.2 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 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.

On November 1, 2017, the holders of the Earn Out Shares elected to be paid 20% of the outstanding deferred obligation.

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 September 30, 2017 was £4.4 million (CDN - $7.3 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 remaining four 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 (income) expense on the consolidated statement of earnings (loss).

The first payment was made in the second quarter of 2017 for £0.8M (CDN - $1.3 million).

Excluding deferred consideration and the related Earnout, Clearwater has effectively fixed the interest rate on 71 percent of its debt as at September 30, 2017.

Clearwater has applied hedge accounting to the forward foreign exchange contracts related to the coupon payments and a portion of the unrealized gain (loss) on the contracts will be included in Net Finance Costs on an accrual basis in the period. The change in fair value related to the forward foreign exchange contract on the notional will be recognized in Foreign exchange gain (loss) on long-term debt and working capital and is expected to offset a portion of the foreign exchange translation on long-term debt.

The revolver 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 September 30, 2017 Clearwater had $42.9 million in cash, and a $300.0 million revolving loan, with approximately $40 million available to draw down. 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.

Leverage for the rolling twelve month period ending September 30, 2017 increased to 5.0x adjusted EBITDA from 4.2x on October 1, 2016 as a result of lower adjusted EBITDA due to lower sales volumes for FAS shrimp, langoustines and lower clam margins and higher debt balances related to the major capital expenditure program which will be completed by the end of the year.

We expect leverage to be lower at the end of 2017 as we continue to generate cash and reduce inventory.

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 Rolling 12 months ended	**September 30 2017**	December 31 2016	October 1 2016	October 3 2015
Adjusted EBITDA[1,2] (excluding non-controlling interest)	**$ 91,387**	$ 98,447	$ 109,320	$ 86,458
Debt [3,4,5] (excluding non-controlling interest)	**498,361**	436,834	479,824	325,039
Less cash (excluding non-controlling interest)	**(40,168)**	(25,110)	(23,854)	(36,610)
Net debt	**$ 458,193**	$ 411,724	$ 455,970	$ 288,429
Leverage	**5.0**	4.2	4.2	3.3

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

2 - Adjusted EBITDA for rolling 12 months ended October 1, 2016 includes an adjustment of $2.5 million (October 3, 2015 - $11.9 million) related to a reallocation of trailing earnings of Macduff which was acquired on October 3, 2015.

3 - Debt for 2016 and the first quarter of 2017 have 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 at September 30, 2017 has been adjusted to include USD $200 million forward foreign exchange contract at an average contracted rate of 1.2844.

5 - Debt is net of unamortized deferred financing charges of $10.3 million (December 31, 2016 - $1.5 million; October 1, 2016 - $2.0 million; October 3, 2015 - $0.6 million).

Foreign Exchange Management[1]

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 GBP), foreign denominated capital spend and foreign denominated debt thereby lowering the potential volatility in cash flows from changes in exchange rates.

As of September 30, 2017 Clearwater had forward exchange contracts outstanding:

Currrency	Forecasted transaction	Notional (millions)	Average rate
USD to CDN	Sales	84.6	1.2869
Yen to CDN	Sales	2,136.0	0.0116
Euro to CDN	Sales	27.3	1.4895
Euro to GBP	Sales	25.6	0.8717
USD to GBP	Sales	7.5	0.7606
CDN to Euro	Capital expenditures	0.3	1.4944
CDN to USD	Debt	268.9	1.2844

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, capital expenditures and long-term debt[1]. The foreign exchange contracts effectively adjust the cash proceeds received on sales receipts and cash paid with respect to capital expenditures and interest and notional amounts for long-term debt, 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		39 weeks ended		12 months Rolling		
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016	October 3 2015
Adjusted EBITDA[1]	$ **32,797**	$ 45,158	$ **80,106**	$ 91,477	$ **109,566**	$ 130,477	$ 96,593
Less:							
Interest and bank charges	**(7,532)**	(5,213)	**(20,778)**	(17,997)	**(27,556)**	(23,468)	(17,823)
Current income tax expense	**(4,295)**	(1,041)	**(11,719)**	(4,729)	**(14,068)**	(3,993)	(3,008)
Other income and expense items	**1,036**	4,002	**4,028**	1,309	**(1,561)**	383	(1,452)
Operating cash flow before changes in working capital	**22,006**	42,906	**51,637**	70,060	**66,381**	103,399	74,310
Changes in working capital	**27,856**	(24,770)	**(36,162)**	(85,833)	**28,583**	(52,351)	(24,657)
Cash flows from operating activities	**49,862**	18,136	**15,475**	(15,773)	**94,964**	51,048	49,653
Sources (uses) of cash:							
Purchase of property, plant, equipment, quota and other assets	**(17,420)**	(26,877)	**(60,081)**	(43,172)	**(73,239)**	(47,464)	(71,900)
Disposal of fixed assets	**-**	-	**8**	1,131	**8**	5,648	67
Designated borrowings[A]	**6,016**	20,180	**24,693**	20,180	**30,396**	20,410	45,883
Scheduled payments on long-term debt[B]	**(134)**	(1,503)	**(3,047)**	(4,956)	**(13,306)**	(6,625)	(9,997)
Payments on long-term incentive plans	**-**	1,443	**1,441**	5,670	**1,441**	5,670	8,953
Distribution to non-controlling interests	**(5,561)**	(5,097)	**(12,512)**	(19,462)	**(17,609)**	(22,243)	(11,816)
Dividends received from joint venture	**3,340**		**3,340**		**3,340**		-
Other financing activities					**-**	676	
Non-routine project costs	**-**	-	**-**	1,201	**684**	2,089	1,065
	(13,759)	(11,854)	**(46,158)**	(39,408)	**(68,285)**	(41,839)	(37,745)
Free cash flows[1]	$ **36,103**	$ 6,282	$ **(30,683)**	$ (55,181)	$ **26,679**	$ 9,209	$ **11,908**
Add/(less):							
Other debt borrowings (repayments) of debt, use of cash[C]	**(5,839)**	(5,980)	**52,366**	4,437	**10,363**	94,698	(23,215)
Issuance of equity	**-**	-	**-**	53,049	**(25)**	53,049	58,628
Payments on long-term incentive plans	**-**	(1,443)	**(1,441)**	(5,670)	**(1,441)**	(5,670)	(8,953)
Other investing activities	**236**	(421)	**(6,091)**	(2,187)	**(8,978)**	(147,108)	(6,443)
Other financing activities	**(3,479)**	(3,141)	**(10,752)**	(12,473)	**(16,764)**	(17,137)	(9,572)
Change in cash flows for the period	$ **27,021**	$ (4,703)	$ **3,399**	$ (18,025)	$ **9,834**	$ (12,959)	$ 22,353

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 – Scheduled payments on long-term debt has been updated to include the Deferred Consideration payment made in Q4 2016 of $8.7 million and the Earnout payment in Q2 2017 of $1.3 million.

C - Other investing activities for 2015 (including the 12 months rolling October 1, 2016) includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

1 – Refer to discussion on risks and uncertainties

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.

Cash flows generated from operating activities of $95.0 million was $43.9 million higher as compared to the same period of 2016 as a result of working capital improvements of $80.9 million of which $36.6 million was related to inventory.

Free cash flow increased to $26.7 million for the rolling twelve months in 2017 from $9.2 million in the same comparative period in 2016 primarily as a result working capital improvements which improved $80.9 million, of which $36.6 million was related to inventory, partially offset by higher capital expenditures.

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		39 weeks ended		12 months Rolling	
	September 30	October 1	September 30	October 1	September 30	October 1
In 000's of Canadian dollars	2017	2016	2017	2016	2017	2016
Decrease (increase) in inventory	$ 6,936	$ (5,047)	$ (35,500)	$ (55,209)	$ (1,902)	$ (38,529)
Increase (decrease) in accounts payable	11,179	(8,295)	11,855	(20,939)	24,016	(17,648)
Decrease (increase) in accounts receivable	11,930	(10,614)	(10,867)	(16,947)	10,331	616
(Increase) decrease in prepaids	(2,189)	(814)	(1,650)	7,262	(3,861)	3,211
	$ 27,856	$ (24,770)	$ (36,162)	$ (85,833)	$ 28,583	$ (52,351)

Clearwater is focused on managing its free cash flows through:

- Managing working capital - Clearwater manages 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 approximately $20-25 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 $85 million in capital expenditures with the largest portion relating the purchase and conversion of the clam replacement vessel, vessel maintenance and refits.

Dividends

On November 9, 2017 the Board of Directors approved and declared a dividend of $0.05 per share payable on December 1, 2017 to shareholders of record as of November 18, 2017.

The Board confirmed its intent to establish a dividend reinvestment plan ("DRIP") and the Company has submitted a draft plan to the TSX for pre-clearance.

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

The Company expects continued strength in cash from operations. Following the successful completion of a 5 year fleet renewal program in 2017, capital spending is expected to decline by $60-70 million in 2018.

The company announced an organization restructuring targeting annualized savings of a minimum of $10 million excluding one-time charges of $6-8.0 million which will be recorded in the fourth quarter of 2017. While the changes that Clearwater will be making to its organizational structure are significant, the Company remains 100% committed to its core business and strategies.

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.

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 operate 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 GBP) thereby lowering the potential volatility in cash flows through derivative contracts.

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 exchange rates, 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 15% of the Argentine business and who is actively managing the business.

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

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 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. Under the Lisbon Treaty, the negotiations of the terms of departure are required to be concluded within two years from giving notice. Negotiations commenced in June 2017, however discussions related to future trade arrangements have not yet begun, therefore details of the impact to Clearwater are not yet known.

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.

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 and in July 2017 the United States released their objectives. Since July 2017, there have been four rounds of discussion among the members however, as a result of the uncertainty of the outcome from these discussions, the impact to Canada and Clearwater is indeterminable. Approximately 14.0% of total sales for 2016 and 14.2% for the first nine months 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"). Canada and the EU agreed on September 21, 2017 as the date for provisional application of CETA however the deal is still required to be ratified by the 28 members of the EU and Canada.

Europe is one of the world's top consumption markets for seafood. In 2012, the EU imported in excess of CAD $25 billion of seafood worldwide 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 will 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.

On September 6, 2017, the Department of Fisheries announced they would be introducing a 4th Arctic Surf Clam fishery license representing 25% of the existing TAC. The license would be issued to an Indigenous entity in 2018. On November 2, 2017, the Assembly of Nova Scotia Mi'kmaq Chiefs submitted a proposal to the Department of Fisheries for the license noting Clearwater as an operational partner.

The specifics related to the new license and the impact to Clearwater are still unknown at this time.

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 period ended September 30, 2017 that would materially affect Clearwater's internal controls over financial reporting.

Adoption of new and revised standards

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, not 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. Based on Clearwater's preliminary analysis of its existing contracts and arrangements, Clearwater does not expect to be materially impacted by the new standard, however the full extent and impact of adoption has not yet been determined and quantified. Clearwater is currently completing its analysis of potential changes required under the new standard but does not expect any material changes with respect to identifying performance obligations and determining when control transfers to the customer.

Clearwater's accounting policy choices will be determined once a full analysis has been completed but it is expected that Clearwater will utilize any applicable practical expedients. The impact on comparative information for 2017 is expected to be complete and communicated by fourth quarter 2017.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, 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 and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 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 permit 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 in its financial statements for the annual period beginning on January 1, 2018. Clearwater is not expected to be materially impacted by the new standard however the full extent and impact of adoption has not yet been determined and quantified. Clearwater may benefit from the new general hedge accounting standards related to economic hedges on foreign currency sales. Clearwater is currently in the preliminary project phase and expects to have completed its analysis related to impairment by the fourth quarter 2017. Changes related to general hedge accounting will not have a significant impact to Clearwater but is expected to simplify the effectiveness testing of its existing hedging relationships.

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. Clearwater expects to see an impact as a result of the new lease standard and in particular, on its key performance measures, including earnings before interest, tax, depreciation and amortization. The extent of the impact of adoption of the standard has not yet been determined and quantified. Clearwater expects to have completed its analysis by the third quarter of 2018.

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. This standard is not expected to have a material impact to Clearwater.

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, 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 resolves the inconsistencies and 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 amendments do not have a material impact to Clearwater based on existing share-based payment transactions.

Related Party Transactions

Clearwater often transacts in the normal course of business with other related parties. The details are as follows for the 13 and 39 weeks ended September 30, 2017 and October 1, 2016.

Clearwater rents office space to and provides computer network support services to Clearwater Fine Foods Incorporated ("CFFI"), a related party. 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 was the book value at the time of the sale plus refit costs.

For the 13 and 39 weeks ended September 30, 2017 Clearwater expensed approximately $0.1 million and $0.3 million in factory and equipment rentals from companies related to a member of its management team (13 and 39 weeks ended October 1, 2016 - $0.1 million and $0.3 million).

For the 13 and 39 weeks ended September 30, 2017 Clearwater expensed approximately $0.03 million and $0.1 million for goods and services from companies related to CFFI (13 and 39 weeks ended October 1, 2016 - $0.01 million and $0.06 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at September 30, 2017 (December 31, 2016 - $0.05 million).

In Q2 2017, interest bearing loans of $1.3 million (December 31, 2016 - $1.4 million) made to a non-controlling interest shareholder in a subsidiary were repaid and $0.1 million was forgiven. The loan balance as of September 30, 2017 was $nil.

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	$ 154,302	$ 163,597	$ -
Earnings (loss) attributable to shareholders	2,172	9,489	15,054	-
Earnings per share ("EPS")	0.03	0.15	0.24	-
Diluted earnings per share[1]	0.03	0.15	0.24	-
Weighted average shares outstanding	63,934,698	63,934,698	63,934,698	-
Fiscal 2016				
Sales	$ 116,225	$ 140,180	$ 189,457	$ 165,690
Earnings (loss) attributable to shareholders	14,507	9,962	10,847	8,611
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) attributable to shareholders	(31,398)	5,616	(4,768)	(7,060)
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 and 39 weeks ended and rolling twelve months ended September 30, 2017, October 1, 2016 and October 3, 2015 is as follows:

	13 weeks ended		39 weeks ended		12 months Rolling		
	September 30 2017	**October 1 2016**	**September 30 2017**	**October 1 2016**	**September 30 2017**	**October 1 2016**	**October 3 2015**
Earnings (loss)	$ **19,580**	$ 17,859	$ **34,790**	$ 47,185	$ **47,201**	$ 43,392	$ (16,749)
Income taxes	**1,539**	4,823	**3,197**	10,185	**9,459**	12,045	3,928
Taxes and depreciation for equity investment	**1,121**	785	**2,168**	430	**2,698**	715	1,149
Depreciation and amortization	**9,239**	10,104	**29,402**	23,720	**39,183**	32,555	27,142
Interest, bank charges, amortization of deferred financing costs	**7,941**	5,730	**21,929**	19,633	**29,185**	25,641	18,820
Earnings before interest, taxes, depreciation and amortization	$ **39,420**	$ 39,301	$ **91,486**	$ 101,153	$ **127,726**	$ 114,348	$ 34,290
Add (deduct) other items:							
Unrealized foreign exchange and derivative (gain) loss	**(6,538)**	6,070	**(24,745)**	(22,410)	**(30,525)**	(6,803)	56,969
Fair market value on long term debt	**274**	(1,520)	**311**	358	**(1,399)**	(2,403)	191
Realized foreign exchange (gain) loss on working capital	**59**	(1,978)	**4,112**	7,028	**4,888**	10,928	(5,724)
Restructuring, refinancing costs and acquisition related costs	**214**	(170)	**8,650**	143	**10,887**	6,198	5,374
Stock based compensation (recovery) expense	**(632)**	3,455	**292**	5,205	**(2,011)**	8,209	5,193
Loss on insurance claim	**-**	-	**-**	-	**-**	-	300
Adjusted EBITDA	**$ 32,797**	$ 45,158	**$ 80,106**	$ 91,477	**$ 109,566**	$ 130,477	$ 96,593
Adjusted EBITDA attributed to:							
Non-controlling interests	$ **5,836**	$ 8,363	$ **13,797**	$ 18,109	$ **18,179**	$ 23,685	$ 22,016
Shareholders of Clearwater	**26,961**	36,795	**66,309**	73,368	**91,387**	106,792	74,577
	$ 32,797	$ 45,158	**$ 80,106**	$ 91,477	**$ 109,566**	$ 130,477	$ 96,593

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 and 39 weeks ended and rolling twelve months ended September 30, 2017, October 1, 2016 and October 3, 2015 is as follows:

	13 weeks ended		39 weeks ended		Rolling 12 months ended	
	September 30 2017	**October 1 2016**	**September 30 2017**	**October 1 2016**	**September 30 2017**	**October 1 2016**
Reconciliation of earnings to adjusted earnings						
Earnings (loss)	$ **19,580**	$ 17,859	$ **34,790**	$ 47,185	$ **47,201**	$ 43,392
Add (subtract)						
Restructuring and refinancing costs	**213**	(285)	**8,648**	(1,132)	**9,598**	419
Acquisition related costs	**-**	-	**-**	1,159	**-**	3,497
Fair value impact on purchase price allocation	**-**	-	**-**	-	**-**	2,166
Stock based compensation (recovery) expense	**(632)**	3,455	**293**	5,205	**(2,010)**	8,209
Unrealized foreign exchange and derivative (gain) loss	**(6,538)**	5,382	**(25,161)**	(25,150)	**(31,764)**	(9,543)
Devaluation of peso on working capital	**-**	-	**-**	5,199	**-**	10,543
Fair value on long-term debt	**274**	(832)	**726**	3,099	**(161)**	338
	(6,683)	7,720	**(15,494)**	(11,620)	**(24,337)**	15,629
Adjusted earnings	**$ 12,897**	**$** 25,579	**$ 19,296**	**$** 35,565	**$ 22,864**	**$** 59,021
Adjusted earnings attributable to:						
Non-controlling interests	**4,685**	6,716	**9,021**	12,082	**11,794**	16,568
Shareholders	**8,212**	18,863	**10,275**	23,483	**11,069**	42,453
	$ **12,897**	$ 25,579	$ **19,296**	$ 35,565	$ **22,863**	$ 59,021
Adjusted earnings per share:						
Weighted average of shares outstanding	**63,935**	63,935	**63,935**	61,434	**63,935**	63,935
Adjusted earnings per share for shareholders	**0.13**	0.30	**0.16**	0.38	**0.17**	0.66
Reconciliation of adjusted earnings to adjusted EBITDA						
Adjusted earnings	$ **12,897**	$ 25,579	$ **19,296**	$ 35,565	$ **22,864**	$ 59,021
Add (subtract)						
Income tax expense	**1,539**	4,823	**3,198**	10,185	**9,459**	12,045
Depreciation and amortization	**9,239**	10,104	**29,402**	23,721	**39,183**	32,556
Interest on long-term debt and bank charges	**7,941**	5,730	**21,928**	19,633	**29,185**	25,641
Taxes and depreciation for equity investment	**1,121**	785	**2,168**	430	**2,698**	715
Realized foreign exchange on working capital	**60**	(1,978)	**4,114**	1,829	**4,888**	385
Other reorganizational costs	**-**	115	**-**	114	**1,289**	114
	19,900	19,579	**60,810**	55,912	**86,702**	71,456
Adjusted EBITDA[1]	**$ 32,797**	**$** 45,158	**$ 80,106**	**$** 91,477	**$ 109,566**	**$** 130,477

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 September 30, 2017, October 1, 2016 and October 3, 2015 is as follows:

In 000's of Canadian dollars Rolling 12 months ended		**September 30 2017**		December 31 2016		October 1 2016		October 3 2015
Adjusted EBITDA[1,2] (excluding non-controlling interest)	**$**	**91,387**	$	98,447	$	109,320	$	86,458
Debt [3,4,5] (excluding non-controlling interest)		**498,361**		436,834		479,824		325,039
Less cash (excluding non-controlling interest)		**(40,168)**		(25,110)		(23,854)		(36,610)
Net debt	**$**	**458,193**	$	411,724	$	455,970	$	288,429
Leverage		**5.0**		4.2		4.2		3.3

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

2 - Adjusted EBITDA for rolling 12 months ended October 1, 2016 includes an adjustment of $2.5 million (October 3, 2015 - $11.9 million) related to a reallocation of trailing earnings of Macduff which was acquired on October 3, 2015.

3 - Debt for 2016 and the first quarter of 2017 have 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 at September 30, 2017 has been adjusted to include USD $200 million forward foreign exchange contract at an average contracted rate of 1.2844.

5 - Debt is net of unamortized deferred financing charges of $10.3 million (December 31, 2016 - $1.5 million; October 1, 2016 - $2.0 million; October 3, 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 and 39 weeks ended and the rolling twelve months ended September 30, 2017, October 1, 2016 and October 3, 2015 is as follows:

	13 weeks ended		39 weeks ended		12 months Rolling		
	September 30 **2017**	October 1 2016	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016	October 3 2015
Adjusted EBITDA[1]	**$ 32,797**	$ 45,158	**$ 80,106**	$ 91,477	**$ 109,566**	$ 130,477	$ 96,593
Less:							
Interest and bank charges	**(7,532)**	(5,213)	**(20,778)**	(17,997)	**(27,556)**	(23,468)	(17,823)
Current income tax expense	**(4,295)**	(1,041)	**(11,719)**	(4,729)	**(14,068)**	(3,993)	(3,008)
Other income and expense items	**1,036**	4,002	**4,028**	1,309	**(1,561)**	383	(1,452)
Operating cash flow before changes in working capital	**22,006**	42,906	**51,637**	70,060	**66,381**	103,399	74,310
Changes in working capital	**27,856**	(24,770)	**(36,162)**	(85,833)	**28,583**	(52,351)	(24,657)
Cash flows from operating activities	**49,862**	18,136	**15,475**	(15,773)	**94,964**	51,048	49,653
Sources (uses) of cash:							
Purchase of property, plant, equipment, quota and other assets	**(17,420)**	(26,877)	**(60,081)**	(43,172)	**(73,239)**	(47,464)	(71,900)
Disposal of fixed assets	**-**	-	**8**	1,131	**8**	5,648	67
Designated borrowings[A]	**6,016**	20,180	**24,693**	20,180	**30,396**	20,410	45,883
Scheduled payments on long-term debt[B]	**(134)**	(1,503)	**(3,047)**	(4,956)	**(13,306)**	(6,625)	(9,997)
Payments on long-term incentive plans	**-**	1,443	**1,441**	5,670	**1,441**	5,670	8,953
Distribution to non-controlling interests	**(5,561)**	(5,097)	**(12,512)**	(19,462)	**(17,609)**	(22,243)	(11,816)
Dividends received from joint venture	**3,340**		**3,340**		**3,340**		-
Other financing activities					**-**	676	
Non-routine project costs	**-**	-	**-**	1,201	**684**	2,089	1,065
	(13,759)	(11,854)	**(46,158)**	(39,408)	**(68,285)**	(41,839)	(37,745)
Free cash flows[1]	**$ 36,103**	$ 6,282	**$ (30,683)**	$ (55,181)	**$ 26,679**	$ 9,209	**$ 11,908**
Add/(less):							
Other debt borrowings (repayments) of debt, use of cash[C]	**(5,839)**	(5,980)	**52,366**	4,437	**10,363**	94,698	(23,215)
Issuance of equity	**-**	-	**-**	53,049	**(25)**	53,049	58,628
Payments on long-term incentive plans	**-**	(1,443)	**(1,441)**	(5,670)	**(1,441)**	(5,670)	(8,953)
Other investing activities	**236**	(421)	**(6,091)**	(2,187)	**(8,978)**	(147,108)	(6,443)
Other financing activities	**(3,479)**	(3,141)	**(10,752)**	(12,473)	**(16,764)**	(17,137)	(9,572)
Change in cash flows for the period	**$ 27,021**	$ (4,703)	**$ 3,399**	$ (18,025)	**$ 9,834**	$ (12,959)	$ 22,353

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 – Scheduled payments on long-term debt has been updated to include the Deferred Consideration payment made in Q4 2016 of $8.7 million and the Earnout payment in Q2 2017 of $1.3 million.

C - Other investing activities for 2015 (including the 12 months rolling October 1, 2016) includes $151.1 million for the acquisition of Macduff, less cash acquired in the acquisition of $9.1 million.

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 September 30, 2017 and October 1, 2016 and October 3, 2015 is as follows:

In (000's) of Canadian dollars		**September 30 2017**		October 1 2016		October 3 2015
Adjusted EBITDA[1]	$	**109,566**	$	130,477	$	96,593
Depreciation and amortization		**43,956**		37,814		26,968
Adjusted earnings before interest and taxes		**65,610**		92,663		69,625
Average quarterly total assets	$	**765,497**	$	752,639	$	509,053
		8.6%		12.3%		13.7%

(1) Return on assets has been declining as we near the end of our capital spend program with Clearwater's new clam fleet vessel, the Anne Risley.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Clearwater Seafoods Incorporated has prepared these condensed consolidated interim financial statements. Management has compiled the unaudited condensed consolidated interim Statement of Financial Position of Clearwater Seafoods Incorporated as at September 30, 2017 and the unaudited condensed consolidated interim statements of earnings, comprehensive (income) loss, shareholders' equity, and cash flows for the 13 and 39 weeks ended September 30, 2017 and October 1, 2016. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the September 30, 2017 and October 1, 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		September 30 2017		December 31 2016
ASSETS				
Current assets				
Cash	**$**	**42,913**	$	39,514
Trade and other receivables		**92,065**		82,108
Inventories		**127,005**		91,831
Prepaids and other		**6,674**		5,414
Derivative financial instruments (Note 4)		**5,903**		4,821
		274,560		223,688
Non-current assets				
Long-term receivables		**5,577**		8,132
Other assets		**113**		81
Property, plant and equipment		**259,483**		233,807
Investment in equity investee		**10,571**		10,496
Deferred tax assets		**15,571**		6,429
Intangible assets		**193,543**		197,321
Goodwill		**49,980**		49,781
		534,838		506,047
TOTAL ASSETS	**$**	**809,398**	$	729,735
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**83,791**	$	75,953
Income taxes payable		**8,758**		4,303
Current portion of long-term debt (Note 5)		**21,052**		67,005
Derivative financial instruments (Note 4)		**11,625**		5,640
		125,226		152,901
Non-current liabilities				
Long-term debt (Note 5)		**469,874**		369,409
Other long-term liabilities		**545**		887
Deferred tax liabilities		**18,026**		18,053
		488,445		388,349
SHAREHOLDERS' EQUITY				
Share capital (Note 6)	**$**	**210,860**	$	210,860
Contributed surplus		**2,690**		1,419
Retained earnings (deficit)		**5,431**		(4,793)
Accumulated comprehensive loss ("ACL")		**(41,486)**		(38,931)
		177,495		168,555
Non-controlling interest (Note 7)		**18,232**		19,930
		195,727		188,485
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**809,398**	$	729,735

Subsequent events (Note 15)

See the accompanying notes to the condensed consolidated interim financial statements

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

unaudited

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016
Sales	**$ 163,597**	$ 189,457	**$ 446,265**	$ 445,862
Cost of goods sold	**135,791**	137,467	**365,648**	330,193
	27,806	51,990	**80,617**	115,669
Administrative and selling costs	**11,867**	20,276	**41,669**	48,680
Net finance costs (Note 4 (d))	**8,702**	3,600	**26,949**	22,471
(Gains) losses on contract derivatives (Note 4 (e))	**(4,782)**	7,077	**(6,320)**	1,093
Foreign exchange (gains) losses on long term debt and working capital (Note 4 (f))	**(6,959)**	77	**(15,493)**	(11,746)
Other (income) expense (Note 8)	**(2,841)**	(2,772)	**(6,036)**	(4,478)
Research and development	**700**	1,050	**1,861**	2,279
	6,687	29,308	**42,630**	58,299
Earnings (loss) before income taxes	**21,119**	22,682	**37,987**	57,370
Income tax expense	**1,539**	4,823	**3,197**	10,185
Earnings (loss) for the period	**$ 19,580**	$ 17,859	**$ 34,790**	$ 47,185
Earnings (loss) attributable to:				
Non-controlling interest	**$ 4,526**	$ 7,012	**$ 8,075**	$ 11,868
Shareholders of Clearwater	**15,054**	10,847	**26,715**	35,317
	$ 19,580	$ 17,859	**$ 34,790**	$ 47,185
Basic earnings (loss) per share (Note 9)	**$** 0.24	**$** 0.17	**$** 0.42	**$** 0.57
Diluted earnings (loss) per share (Note 9)	**$** 0.24	**$** 0.17	**$** 0.42	**$** 0.57

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

unaudited

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016
Earnings (loss) for the period	**$ 19,580**	$ 17,859	**$ 34,790**	$ 47,185
Comprehensive income (loss)				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations	**(2,648)**	(910)	**(1,021)**	(32,919)
Cash flow hedges - effective portion of change in fair value, net of tax	**(887)**	-	**(1,767)**	-
Cash flow hedges - reclassified to earnings, net of tax	**173**	-	**173**	-
	(3,362)	(910)	**(2,615)**	(32,919)
Comprehensive income (loss) for the period	**$ 16,218**	$ 16,949	**$ 32,175**	$ 14,266
Comprehensive income (loss) attributable to:				
Non-controlling interest	**$ 844**	$ 7,015	**$ 7,747**	$ 12,000
Shareholders of Clearwater	**15,374**	9,934	**24,428**	2,266
	$ 16,218	$ 16,949	**$ 32,175**	$ 14,266

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)

			ACL				
	Common shares	Contributed surplus	Cash flow hedge	Cumulative translation account	Retained earnings (deficit)	Non-controlling interest	Total
Balance at January 1, 2016	**$ 157,161**	**$ 547**	**$ -**	**(1,625)**	**$ (36,333)**	**$ 29,325**	**$ 149,075**
Comprehensive income (loss) for the period	-	-	-	(33,051)	35,317	12,000	14,266
Transactions recorded directly in equity							
Issuance of common shares	53,724	-	-	-	-	-	53,724
Share-based compensation	-	938	-	-	-	-	938
Distributions to non-controlling interest	-	-	-	-	-	(19,739)	(19,739)
Dividends declared on common shares	-	-	-	-	(9,191)	-	(9,191)
Total transactions with owners	53,724	938	-	-	(9,191)	(19,739)	25,732
Balance at October 1, 2016	**$ 210,885**	**$ 1,485**	**$ -**	**$ (34,676)**	**$ (10,207)**	**$ 21,586**	**$ 189,073**
Comprehensive income (loss) for the period	-	-	-	(4,255)	8,611	3,820	8,176
Transactions recorded directly in equity							
Issuance of common shares	(25)	-	-	-	-	-	(25)
Share-based compensation	-	(66)	-	-	-	-	(66)
Distributions to non-controlling interest	-	-	-	-	-	(5,476)	(5,476)
Dividends declared on common shares	-	-	-	-	(3,197)	-	(3,197)
Total transactions with owners	(25)	(66)	-	-	(3,197)	(5,476)	(8,764)
Balance at December 31, 2016	**$ 210,860**	**$ 1,419**	**$ -**	**$ (38,931)**	**$ (4,793)**	**$ 19,930**	**$ 188,485**
Comprehensive income (loss) for the period	-	-	(1,594)	(693)	26,715	7,747	32,175
Transactions recorded directly in equity							
Share-based compensation	-	1,271	-	-	-	-	1,271
Distributions to non-controlling interest	-	-	-	-	-	(9,890)	(9,890)
Dividends declared on common shares	-	-	-	-	(9,590)	-	(9,590)
Acquisition of non-controlling interest (Note 7)	-	-	-	(268)	(6,901)	445	(6,724)
Total transactions with owners	-	1,271	-	(268)	(16,491)	(9,445)	(24,933)
Balance at September 30, 2017	**$ 210,860**	**$ 2,690**	**$ (1,594)**	**(39,892)**	**$ 5,431**	**$ 18,232**	**$ 195,727**

See the accompanying notes to the condensed consolidated interim financial statements

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Cash Flows

unaudited

(In thousands of Canadian dollars)

	13 weeks ended		39 weeks ended	
	September 30 2017	October 1 2016 (Restated, Note 14)	**September 30 2017**	October 1 2016 (Restated, Note 14)
Operating				
Earnings (loss) for the period	**$ 19,580**	$ 17,859	**$ 34,790**	$ 47,185
Adjustments for:				
Depreciation and amortization	**11,644**	9,815	**34,391**	29,050
Net finance costs	**9,319**	7,243	**25,025**	24,302
Unrealized foreign exchange (gain) loss	**(6,722)**	5,779	**(15,808)**	(23,221)
Loss on debt refinancing	**-**	-	**3,787**	-
Fair value adjustments to financial instruments	**-**	(1,578)	**(694)**	274
Income tax expense (recovery)	**1,539**	4,821	**3,197**	10,860
Share-based compensation	**(632)**	3,455	**292**	5,205
(Gain) loss on disposal of property, plant, and equipment, and other assets	**-**	-	**-**	2
(Earnings) loss in equity investee	**(1,957)**	(721)	**(3,410)**	(313)
Foreign exchange and other	**(174)**	804	**(525)**	(3,451)
	32,597	47,477	**81,045**	89,893
Change in non-cash operating working capital (Note 13)	**22,298**	(23,709)	**(44,601)**	(87,095)
Interest paid	**(2,791)**	(7,105)	**(13,755)**	(19,077)
Income tax paid	**(2,242)**	1,474	**(7,214)**	504
	$ 49,862	$ 18,137	**$ 15,475**	$ (15,775)
Financing				
Repayment of long-term debt	**(134)**	(1,504)	**(417,048)**	(23,640)
Proceeds from long-term debt	**(298)**	-	**365,113**	-
Net proceeds from common share issue	**-**	-	**-**	53,049
Proceeds of revolving credit facility	**475**	14,200	**125,946**	43,299
Settlement of derivative contracts on refinancing	**-**	-	**(4,209)**	-
Distributions paid to non-controlling interest	**(5,561)**	(5,098)	**(12,512)**	(19,463)
Repayments from (advances to) minority partners	**(38)**	(434)	**2,699**	(1,371)
Dividends paid on common shares	**(3,197)**	(3,197)	**(9,590)**	(9,191)
	$ (8,753)	$ 3,967	**$ 50,399**	$ 42,683
Investing				
Purchase of property, plant and equipment	**(17,420)**	(26,877)	**(60,081)**	(43,172)
Proceeds on disposal of property, plant and equipment	**-**	-	**8**	8,624
Dividends received from equity investee	**3,340**	-	**3,340**	-
Acquisition of non-controlling interest	**-**	-	**(6,725)**	-
Purchase of other assets	**-**	(83)	**(42)**	(7,442)
Net advances in long term receivables	**236**	96	**676**	334
	$ (13,844)	$ (26,864)	**$ (62,824)**	$ (41,656)
Effect of foreign exchange rate changes on cash	**$ (245)**	$ 56	**$ 349**	$ (3,278)
DECREASE IN CASH	**27,020**	(4,704)	**3,399**	(18,026)
CASH, BEGINNING OF PERIOD	**15,893**	37,784	**39,514**	51,106
CASH, END OF PERIOD	**$ 42,913**	$ 33,080	**$ 42,913**	$ 33,080

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 consolidated financial statements of Clearwater as at and for the period ended September 30, 2017 and October 1, 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 November 9, 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) Critical judgements and estimates in applying accounting policies

Goodwill and intangible assets

Clearwater reviews non-financial assets at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives an annual impairment test is performed. To better align with Clearwater's internal financial budgeting cycle the date as of which annual impairment testing is performed was changed from September 30th to December 31st.

(c) Basis of Consolidation

Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the subsidiary. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the shareholders of the Company.

(d) Financial Instruments

Financial instruments are accounted for consistently with the policies disclosed in the December 31, 2016 consolidated financial statements. During the current period, Clearwater designated cash flow hedges.

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in fair value of the derivative is recognized in the Consolidated Statement of Comprehensive Income (Loss) and accumulated within equity. The amount recorded in equity is reclassified to the Consolidated Statement of Earnings (Loss) in the same period during which the hedged item is recognized in the Consolidated Statement of Earnings (Loss).

The ineffective portion of the change in fair value of the derivative is recognized as Net finance costs in the Consolidated Statement of Earnings (Loss).

If the forecasted transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or expired, or Clearwater elects to discontinue hedge accounting for the derivative, then hedge accounting is discontinued prospectively. If the forecasted transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Statement of Earnings (Loss).

(e) 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 13.

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.

(f) 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, not 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. Based on Clearwater's preliminary analysis of its existing contracts and arrangements, Clearwater does not expect to be materially impacted by the new standard, however the full extent and impact of adoption has not yet been determined and quantified. Clearwater is currently completing its analysis of potential changes required under the new standard but does not expect any material changes with respect to identifying performance obligations and determining when control transfers to the customer.

Clearwater's accounting policy choices will be determined once a full analysis has been completed but it is expected that Clearwater will utilize any applicable practical expedients. The impact on comparative information for 2017 is expected to be complete and communicated by fourth quarter 2017.

IFRS 9 – Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, 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 and amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment. IFRS 9 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 permit 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 in its financial statements for the annual period beginning on January 1, 2018. Clearwater is not expected to be materially impacted by the new standard however the full extent and impact of adoption has not yet been determined and quantified. Clearwater may benefit from the new general hedge accounting standards related to economic hedges on foreign currency sales. Clearwater is currently in the preliminary project phase and expects to have completed its analysis related to impairment by the fourth quarter 2017. Changes related to general hedge accounting will not have a significant impact to Clearwater but is expected to simplify the effectiveness testing of its existing hedging relationships.

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. Clearwater expects to see an impact as a result of the new lease standard and in particular, on its key performance measures, including earnings before interest, tax, depreciation and amortization. The extent of the impact of adoption of the standard has not yet been determined and quantified. Clearwater expects to have completed its analysis by the third quarter of 2018.

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. This standard is not expected to have a material impact to Clearwater.

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, 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 resolves the inconsistencies and 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 amendments do not have a material impact to Clearwater based on existing share-based payment transactions.

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.

(Tabular amounts are in thousands of Canadian dollars)

4. FINANCIAL INSTRUMENTS

The Company periodically uses derivative instruments as part of an active risk management program. The Company designated certain forward foreign exchange contracts related to US denominated interest payments as hedging instruments in a qualifying hedging relationship (cash flow hedge). Changes in the fair value of derivative in a qualifying hedging relationship are recognized in comprehensive income. The Company has elected not to use hedge accounting on the remaining derivative instruments and consequently changes in fair value are recorded in the consolidated statement of earnings (loss) as they occur.

Summary of fair values of derivative financial instrument positions:

As at		**September 30 2017**		December 31 2016
Derivative financial assets				
Forward foreign exchange contracts	**$**	**5,903**	$	4,637
Interest rate caps, floors and swap contracts		**-**		184
	$	**5,903**	$	4,821
Derivative financial liabilities				
Forward foreign exchange contracts		**(11,625)**		(1,356)
Interest rate and cross-currency swap contracts		**-**		(4,284)
	$	**(11,625)**	$	(5,640)

(Tabular amounts are in thousands of Canadian dollars)

(a) Forward Foreign Exchange Contracts

Clearwater has forward contracts maturing each month until August 2018 and forward contracts related to the USD Notes maturing April 2022 (Note 5). At September 30, 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					
Derivatives designated as hedging instruments					
USD	**24,157,986**	**1.240**	**20**		**147**
Derivatives not designated as hedging instruments					
Euro	**15,800,000**	**1.5093**	**8**	**$**	**243**
USD	**50,400,000**	**1.3279**	**7**		**4,066**
Yen	**1,406,000,000**	**0.0119**	**8**		**1,111**
Euro - GBP	**5,000,000**	**0.9001**	**10**		**83**
USD - GBP	**5,270,000**	**0.7712**	**5**		**253**
				$	**5,903**
Contracts in a liability position					
Derivatives designated as hedging instruments					
USD	**44,782,986**	**1.3084**	**34**	**$**	**(2,691)**
Derivatives not designated as hedging instruments					
Euro	**11,186,000**	**1.4614**	**6**		**(284)**
USD	**234,200,000**	**1.2759**	**48**		**(7,903)**
Yen	**730,000,000**	**0.0110**	**3**		**(36)**
Euro - GBP	**20,600,000**	**0.8648**	**4**		**(677)**
USD - GBP	**2,200,000**	**0.7353**	**3**		**(34)**
				$	**(11,625)**

(Tabular amounts are in thousands of Canadian dollars)

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					
Derivatives not designated as hedging instruments					
Euro	35,995	1.4720	6	$	1,677
USD	30,800	1.3220	3		574
Yen	2,863,100	0.0120	6		2,386
				$	4,637
Contracts in a liability position					
Derivatives not designated as hedging instruments					
USD	41,050	1.3090	3	$	(1,356)
				$	(1,356)

(b) Cash Flow Hedges

Clearwater entered into USD forward foreign exchange contracts to hedge a portion of its USD interest payments payable semi-annually in May and November each year.

The following table summarizes the pre-tax amounts recognized in the Consolidated Statement of Comprehensive Income, the amounts reclassified from equity and the amount recorded in the Consolidated Statement of Earnings (Loss):

	Gain (loss) recognized in ACL 13 weeks ended		Gain (loss) reclassified from ACL to Net Finance Costs 13 weeks ended		Ineffectiveness recognized in Net Finance Costs 13 weeks ended	
Derivatives in cash flow hedging relationship	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016
Forward foreign exchange contacts	**$ 238**	$ -	**$ (247)**	$ -	**$ -**	$ -

	Gain (loss) recognized in ACI 39 weeks ended		Gain (loss) reclassified from ACI to Net Finance Costs 39 weeks ended		Ineffectiveness recognized in Net Finance Costs 39 weeks ended	
Derivatives in cash flow hedging relationship	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016
Forward foreign exchange contacts	**$ (1,028)**	$ -	**$ (247)**	$ -	**$ -**	$ -

(c) Interest Rate Swaps, Caps and Floors

On April 26, 2017, Clearwater refinanced its existing long-term debt and simultaneously settled the existing interest rate cap and swap contracts and cross currency swaps outstanding.

(Tabular amounts are in thousands of Canadian dollars)

At September 30, 2017 Clearwater had no interest rate cap and swap contracts or cross-currency swap contracts outstanding. The Term B interest rate floor noted below has nil value as of September 30, 2017.

At December 31, 2016 Clearwater had interest rate cap and floors and swap contracts and cross-currency 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

In 000's of Canadian dollars	13 weeks ended **September 30 2017**	13 weeks ended October 1 2016	39 weeks ended **September 30 2017**	39 weeks ended October 1 2016
Interest and bank charges	**$ 7,532**	$ 5,213	**$ 20,779**	$ 17,998
Amortization of deferred financing charges and accretion	**409**	517	**1,150**	1,635
	7,941	5,730	**21,929**	19,633
Interest rate swaps and caps [1]	**-**	(1,398)	**(4,348)**	(361)
Accretion on deferred consideration	**560**	688	**1,679**	2,741
Fair value adjustment on embedded derivative	**-**	(1,520)	**(703)**	358
Debt settlement[2] and refinancing fees	**201**	100	**8,392**	100
	761	(2,130)	**5,020**	2,838
	$ 8,702	$ 3,600	**$ 26,949**	$ 22,471

(1) Interest rate swaps and caps represents unrealized (gains) losses as a result of the change in fair value during the period. Realized amounts are reflected in interest expense and bank charges and debt settlement and refinancing fees.

(2) Debt settlement includes loss on settlement of existing interest rate swaps and cross currency swaps and cap, forward foreign exchange contracts, remaining unamortized deferred financing costs and accretion.

(Tabular amounts are in thousands of Canadian dollars)

(e) (Gains) losses on contract derivatives

	13 weeks ended		39 weeks ended	
	September 30	October 1	**September 30**	October 1
In 000's of Canadian dollars	**2017**	2016	**2017**	2016
Realized (gain) loss				
Forward foreign exchange contracts	**$ (5,261)**	$ 2,350	**$ (5,526)**	$ 7,107
Unrealized (gain) loss				
Forward foreign exchange contracts	**479**	4,727	**(794)**	(6,014)
	$ (4,782)	$ 7,077	**$ (6,320)**	$ 1,093

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

	13 weeks ended		39 weeks ended	
	September 30	October 1	**September 30**	October 1
In 000's of Canadian dollars	**2017**	2016	**2017**	2016
Realized (gain) loss				
Long-term debt and working capital	**$ 59**	$ (1,978)	**$ 4,112**	$ 7,027
Unrealized (gain) loss				
Foreign exchange on long-term debt and working capital	**(11,286)**	3,322	**(27,092)**	(23,928)
Forward foreign exchange contracts, cross currency swaps and cap on long-term debt	**4,268**	(1,267)	**7,487**	5,155
	(7,018)	2,055	**(19,605)**	(18,773)
	$ (6,959)	$ 77	**$ (15,493)**	$ (11,746)

(g) Fair value of financial instruments

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

(Tabular amounts are in thousands of Canadian dollars)

September 30, 2017	Fair Value: Through profit or loss	Fair Value: Derivatives	Amortized cost: Loans and receivables	Amortized cost: Non-derivative financial liabilities	Total: Carrying amount	Total: Fair value
Assets:						
Cash	$ 42,913	$ -	$ -	$ -	**$ 42,913**	**$ 42,913**
Trade and other receivables	-	-	92,065	-	**92,065**	**92,065**
Long-term receivables	-	-	5,577	-	**5,577**	**5,577**
Forward foreign exchange contracts	-	5,903	-	-	**5,903**	**5,903**
	$ 42,913	$ 5,903	$ 97,642	$ -	**$ 146,458**	**$ 146,458**
Liabilities:						
Trade and other payables	$ (5,094)	$ -	$ -	$ (78,697)	**$ (83,791)**	**$ (83,791)**
Long-term debt[1]	-	-	-	(483,649)	**(483,649)**	**(500,168)**
Forward foreign exchange contracts	-	(11,625)	-	-	**(11,625)**	**(11,625)**
Earnout liability	(7,277)	-	-	-	**(7,277)**	**(7,277)**
	$ (12,371)	$ (11,625)	$ -	$ (562,346)	**$ (586,342)**	**$ (602,861)**

[1] Excluding the Earnout liability.

December 31, 2016	Fair Value: Through profit or loss	Fair Value: Derivatives	Amortized cost: Loans and receivables	Amortized cost: Non-derivative financial liabilities	Total: Carrying amount	Total: 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	-	-	**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 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.

(Tabular amounts are in thousands of Canadian dollars)

The estimated fair value of Clearwater's long-term debt for which carrying value did not approximate fair value at September 30, 2017 was $368.2 million (December 31, 2016 - $46.8 million) and the carrying value was $351.8 million (December 31, 2016 – $46.5 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.

h) 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:

September 30, 2017	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 42,913	$ -	$ -
Forward foreign exchange contracts	-	5,903	-
	$ 42,913	$ 5,903	$ -
Financial Liabilities:			
Forward foreign exchange contracts	$ -	$ (11,625)	$ -
Earnout liability	-	-	(7,277)
	$ -	$ (11,625)	$ (7,277)

(Tabular amounts are in thousands of Canadian dollars)

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 September 30, 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 was fair valued using a Bloomberg valuation model for interest rate floors.

- Interest rate swaps, caps and floors and cross-currency swaps were measured using present value techniques that utilized 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 forecast for the remaining period;
- Risk-free rate: 0.84%
- Risk adjusted discount rates: 6.00%-9.00%
- 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: 38%

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 £4.3 million and £4.7 million.

The change in the fair value of the Earnout from December 31, 2016 to September 30, 2017 was a decrease of £0.4 million (CDN $0.7 million).

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

(Tabular amounts are in thousands of Canadian dollars)

5. LONG-TERM DEBT

As at		September 30 2017		December 31, 2016
Senior debt (a):				
USD Notes, due May 2025	$	**304,477**	$	-
Term loan B, due May 2022		**34,415**		-
Term loan A, due June 2018		-		50,218
Term loan B, due June 2019		**-**		306,507
Term loan B, embedded derivative		**-**		703
Revolving credit facility (a)		**97,416**		23,400
Deferred obligation (b)		**31,197**		29,298
Earnout liability (b)		**7,277**		9,107
Term loan, due June 2018 (c)		**12,463**		13,459
Term loan, due in 2091 (d)		**3,500**		3,500
Other loans		**181**		222
		490,926		436,414
Less: current portion [1]		**(21,052)**		(67,005)
	$	**469,874**	$	369,409

[1] Current portion of long-term debt includes scheduled payments related to the Senior debt; Deferred Obligation payments, less accretion during the period and minimum payment related to the Earnout Liability.

(a) Senior debt consists of USD senior unsecured notes (the “Notes”), a Term Loan B facility and revolving debt facility. As of December 31, 2016, this consisted of a Term Loan A facility, Term Loan B facility and a revolving debt facility.

Notes, due 2025 – The USD $250.0 million (CDN $311.8 million) Notes with coupon rate of 6.875% are payable in semi-annual installments of USD $8.6 million (CDN $10.7 million) in May and November each year. The balance is shown net of deferred financing charges of USD $5.9 million (CDN $7.3 million) which resulted in an effective interest rate of 7.189%.

In Q2 2017, concurrent with the Notes offering, 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 (Term Loan B), each maturing in 2022 (the “Senior Secured Credit Facilities). 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 for general corporate purposes.

Term Loan B facility, due 2022 – The Term Loan B consists of an initial term loan of CDN $35.0 million. The principal outstanding as at September 30, 2017 was CDN $34.8 million. The loan is repayable in annual installments of $0.03 million, with the balance due at maturity in May 2022. The facility bears interest ranging from LIBOR plus 2.50% to 3.25%. The range is determined quarterly based on a ratio of Senior Secured indebtedness to EBITDA, with EBITDA calculated on a trailing twelve month basis. The balance is shown net of deferred financing charges of CDN $0.4 million resulting in an effective interest rate of 3.92%.

Revolving credit facility, due 2022 – The CDN $300 million revolving credit facility can be drawn in CDN, USD, EUR, YEN or GBP. As at September 30, 2017 the balances were drawn in CDN and bear interest ranging from LIBOR plus 1.50% to 2.25%. The range is determined quarterly based on a ratio of Senior Secured indebtedness to EBITDA, with EBITDA calculated on a trailing twelve month basis. The balance is shown net of deferred financing charges of CDN $2.6 million, resulting in effective rates of 3.30% for CDN balances. The availability of this facility, subject to financial covenants, is further reduced by the term loan outstanding in note (c), as such the availability as at September 30, 2017 was approximately CDN $40 million. The facility has standby fees ranging from 0.25% to 0.30% based upon the Senior Secured Indebtedness to EBITDA ratio as of the last day of the immediately preceding fiscal quarter.

Term Loan A facility – The Term Loan A consisted 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 December 31, 2016 was CDN $24.2 million. The balance is shown net of deferred financing charges of CDN $0.1 million. The loan was interest bearing at the applicable banker's acceptance rate plus 3.25%. As at December 31, 2016 this resulted in an effective rate of 4.14%.

The principal outstanding on the Term Loan A delayed draw facility as at December 31, 2016 was CDN $26.4 million. The balance is shown net of deferred financing charges of CDN $0.3 million. Interest was payable monthly at the banker's acceptance rate plus 3.25%. As at December 31, 2016 this resulted in an effective rate of 4.14%.

Term Loan B facility, due 2019 **-** The principal outstanding as at December 31, 2016 was USD $178.5 million and CDN $70.4 million. Interest on the USD balance was payable monthly at the US LIBOR plus 3.50% with a LIBOR interest rate floor of 1.25%, and the CDN balance at the banker's acceptance rate plus 3.50%. As of December 31, 2016 this resulted in an effective rate of 4.75% on the USD balance and 4.39% on the CDN balance. The embedded derivative represented 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 credit facility, due 2018 **-** Clearwater had a CDN $100.0 million revolving facility. The availability of this facility was reduced by the term loan outstanding in note (c). The facility could be drawn in CDN and/or USD. As at December 31, 2016 the balances were CDN $23.4 million. The CDN balance was interest bearing at the banker's acceptance rate plus 3.25%. As of December 31, 2016 this resulted in an effective rate of 4.14%. The facility had standby fees of 0.375%.

The revolver 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.

(Tabular amounts are in thousands of Canadian dollars)

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 September 30, 2017.

In addition to the minimum principal payments for Term Loan 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 less principal debt repayments (excluding revolver payments), less interest expense, less capital expenditures funded through operating cash flows, less certain tax expenses, 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 September 30, 2017, Clearwater repaid nil in principal relating to this requirement (2016 - CDN $18.6 million).

Refer to Note 4 for detail on forward foreign exchange contracts used to economically hedge a portion of the foreign exchange risk related to the notional and coupon payments for the USD Notes.

(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 September 30, 2017 is £21.0 million (CDN $35.0 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 7.44%. 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 - year-to-date September 30, 2017		**1.0**		**1.6**
Effect of movement in foreign exchange		**-**		**0.3**
Balance - September 30, 2017	£	**18.7**	**$**	**31.2**

On October 30th of each year, the holders of the Earn Out Shares can elect to be paid up to 20% of the original Deferred Obligation amount. 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. See Note 15 for the election made by the holders subsequent to September 30, 2017.

(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 September 30, 2017 is £4.4 million (CDN - $7.3 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 a five year period ending 2021.

The first payment was made in the second quarter of 2017 for £0.8M (CDN - $1.3 million).

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 September 30, 2017 was an increase (loss) of £0.2 million (CDN $0.3 million) (July 2, 2017 - £0.4 million (CDN $0.8 million)).

(c) Term Loan - The principal outstanding as at September 30, 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 2018 and bears interest payable monthly at 3.9% per annum.

(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% per annum.

(Tabular amounts are in thousands of Canadian dollars)

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 September 30, 2017 totaled 63,934,698.

Subsequent to the end of the quarter, on November 9, 2017 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on December 1, 2017 to shareholders of record as of November 18, 2017 for a total of $3,196,735.

7. NON-CONTROLLING INTEREST

On May 29, 2017, Clearwater acquired an additional 5% interest in its Argentina subsidiary for USD $5.0 million (CDN $6.7 million), increasing Clearwater's ownership from 80% to 85%. The carrying value of the subsidiary's net assets in the consolidated financial statements on the date of acquisition was a deficit of $8.9 million, including the cumulative translation account. The acquisition resulted in a reduction to retained earnings attributable to shareholders of Clearwater of $7.2 million.

Carrying amount of net deficit	$	(8.9)
Non-controlling interest acquired (deficit)		(0.5)
Consideration paid to non-controlling interest		6.7
Decrease in retained earnings attributable to shareholders of Clearwater	**$**	**7.2**

8. OTHER (INCOME) EXPENSE

	13 weeks ended		39 weeks ended	
In 000's of Canadian dollars	**September 30 2017**	October 1 2016	**September 30 2017**	October 1 2016
Acquisition related costs	**$ 12**	$ 115	**$ 79**	$ 1,274
Share of earnings of equity-accounted investee	**(1,957)**	(721)	**(3,410)**	(313)
Royalties, interest income and other fees	**(239)**	(256)	**(388)**	(630)
Other (income) fees	**(100)**	(809)	**(640)**	(1,346)
Fair value adjustment on earn-out liability	**(286)**	(516)	**(666)**	(1,386)
Export rebates	**(271)**	(585)	**(1,011)**	(2,077)
	$ (2,841)	$ (2,772)	**$ (6,036)**	$ (4,478)

9. 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		39 weeks ended	
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016
Basic				
Earnings (loss) for the period	**$ 15,054**	$ 10,847	**$ 26,715**	$ 35,317
Weighted average number of shares outstanding	**63,934,698**	63,934,698	**63,934,698**	61,433,621
Earnings (loss) per share	**$ 0.24**	$ 0.17	**$ 0.42**	$ 0.57
Diluted				
Earnings (loss) for the period	**$ 15,054**	$ 11,121	**$ 26,715**	$ 35,317
Weighted average number of shares outstanding	**63,968,298**	64,086,636	**64,003,559**	61,576,620
Earnings (loss) per share	**$ 0.24**	$ 0.17	**$ 0.42**	$ 0.57

Diluted earnings (loss) for the period is calculated based on earnings attributable to the shareholders of Clearwater after the adjustment for any potentially dilutive cash-settled share-based payments. There was no revaluation adjustment related to cash-settled share-based payments for the 13 and 39 weeks ended September 30, 2017. The revaluation adjustment on cash-settled share-based payments for the 13 and 39 weeks ended October 1, 2016 resulted in a dilutive impact on earnings (loss) per share.

Diluted weighted average number of shares outstanding are adjusted for the dilutive effect of share-based compensation.

10. SEGMENT INFORMATION

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

(Tabular amounts are in thousands of Canadian dollars)

(a) Sales by Species

	13 weeks ended		39 weeks ended	
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016
Scallops	**$ 44,253**	$ 58,514	**$ 146,428**	$ 140,777
Coldwater shrimp	**18,172**	24,193	**48,001**	64,126
Lobster	**27,192**	31,282	**77,162**	79,381
Clams	**25,663**	24,280	**74,215**	61,074
Langoustine	**11,218**	14,873	**28,770**	34,131
Crab	**16,518**	14,764	**32,090**	27,089
Whelks	**6,050**	4,873	**22,071**	18,843
Groundfish and other	**14,531**	16,678	**17,528**	20,441
	$ 163,597	$ 189,457	**$ 446,265**	$ 445,862

(b) Sales by Geographic Region of the Customer

	13 weeks ended		39 weeks ended	
	September 30 2017	October 1 2016	**September 30 2017**	October 1 2016
China	**$ 26,057**	$ 33,567	**$ 68,475**	$ 67,706
Japan	**23,242**	26,458	**56,856**	61,151
Other	**7,421**	7,613	**29,947**	28,246
Asia	**56,720**	67,638	**155,278**	157,103
Canada	**27,717**	27,815	**58,176**	55,895
United States	**22,810**	24,168	**63,418**	61,724
North America	**50,527**	51,983	**121,594**	117,619
France	**24,540**	32,084	**80,779**	78,350
UK	**5,856**	5,277	**10,128**	11,779
Scandinavia	**5,821**	6,395	**22,982**	20,733
Other	**20,068**	26,080	**55,053**	60,216
Europe	**56,285**	69,836	**168,942**	171,078
Other	**65**	-	**451**	62
	$ 163,597	$ 189,457	**$ 446,265**	$ 445,862

(Tabular amounts are in thousands of Canadian dollars)

(c) Non-current Assets by Geographic Region

As at	September 30 2017	December 31 2016
Property, plant and equipment, licenses, fishing rights and goodwill		
Canada	**$ 318,018**	$ 298,517
Argentina	**18,472**	24,055
Scotland	**166,193**	158,077
Other	**323**	260
	$ 503,006	$ 480,909

11. RELATED PARTY TRANSACTIONS

Clearwater rents office space to and provides computer network support services to Clearwater Fine Foods Incorporated ("CFFI"), a related party. 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 was the book value at the time of the sale plus refit costs.

For the 13 and 39 weeks ended September 30, 2017 Clearwater expensed approximately $0.1 million and $0.3 million in factory and equipment rentals from companies related to a member of its management team (13 and 39 weeks ended October 1, 2016 - $0.1 million and $0.3 million).

For the 13 and 39 weeks ended September 30, 2017 Clearwater expensed approximately $0.03 million and $0.1 million for goods and services from companies related to CFFI (13 and 39 weeks ended October 1, 2016 - $0.01 million and $0.06 million). The transactions are recorded at the exchange amount and the balance due to these companies was $0.01 million as at September 30, 2017 (December 31, 2016 - $0.05 million).

In Q2 2017, interest bearing loans of $1.3 million (December 31, 2016 - $1.4 million) made to a non-controlling interest shareholder in a subsidiary were repaid and $0.1 million was forgiven. The loan balance as of September 30, 2017 was $nil.

(Tabular amounts are in thousands of Canadian dollars)

12. CONTINGENT LIABILITIES

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

13. ADDITIONAL CASH FLOW INFORMATION

	13 weeks ended		39 weeks ended	
Changes in operating working capital	**September 30**	October 1	**September 30**	October 1
(excludes change in accrued interest)	**2017**	2016	**2017**	2016
Decrease (increase) in inventory	$ **6,936**	(5,047)	$ **(35,500)**	(55,209)
(Decrease) increase in accounts payable	**5,621**	(7,234)	**3,416**	(22,201)
Decrease (increase) in accounts receivable	**11,930**	(10,614)	**(10,867)**	(16,947)
Decrease (increase) in prepaids	**(2,189)**	(814)	**(1,650)**	7,262
	$ 22,298	$ (23,709)	**$ (44,601)**	$ (87,095)

	13 weeks ended		39 weeks ended	
	September 30	October 1	**September 30**	October 1
Changes in liabilities arising from financing activities	**2017**	2016	**2017**	2016
Current and long-term debt - beginning of period	**$ 502,930**	$ 463,113	**$ 436,414**	$ 480,769
Scheduled repayments of long-term debt	**(134)**	(1,503)	**(3,052)**	(23,644)
Repayment of long-term credit facilities	**-**	-	**(361,519)**	
Repayment of revolving credit facility	**-**	-	**(52,400)**	
Net proceeds from long-term debt, net of financing costs	**(189)**	-	**330,334**	
Net proceeds from long-term credit facilities, net of financing costs	**107**	-	**34,779**	
Net proceeds from revolving credit facility, net of financing costs	**475**	14,200	**125,946**	43,300
Realized foreign exchange on settlement of long-term debt	**-**	-	**4,172**	
Non-cash changes in long-term debt:	**-**	-		
Accretion	**560**	945	**(1,839)**	3,542
Fair market value adjustment on embedded derivative	**-**	(1,578)	**(694)**	274
Fair market value adjustment on earnout liability	**(253)**	(511)	**(633)**	(1,255)
Amortization of deferred financing costs	**193**	159	**6,979**	544
Write-off unamortized deferred financing costs	**-**	-	**1,477**	-
Foreign exchange gain on long-term debt	**(12,763)**	3,747	**(29,038)**	(24,958)
Current and long-term debt - end of period	**$ 490,926**	$ 478,571	**$ 490,926**	$ 478,571

14. 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, $0.7 million and $2.7 million related to accretion on the Deferred Obligation was reclassified from Unrealized foreign exchange (gain) loss to Net finance costs on for the 13 and 39 weeks ended October 1, 2016 respectively.

To reflect the impact of foreign exchange on working capital, $0.2 million and $4.5 million was reclassified from "Foreign exchange and other" to "Changes in non-cash operating working capital" for the 13 and 39 weeks ended October 1, 2016 respectively.

15. SUBSEQUENT EVENTS

Deferred obligation
On November 1, 2017, the holders of the Earn Out Shares elected to be paid 20% of the Deferred Obligation which will be paid in the fourth quarter of 2017 (see Note 5 (a)).

Organization restructuring
On November 9, 2017, Clearwater announced an organization restructuring which is expected to result in cost savings on an annual basis.

Quarterly and share information

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

	2017			2016				2015
	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Sales	163,597	154,302	128,367	165,690	189,457	140,180	116,225	165,503
Earnings attributable to:								
Non-controlling interests	4,526	2,503	1,046	3,800	7,012	3,551	1,305	3,267
Shareholders of Clearwater	15,054	9,489	2,172	8,611	10,846	9,964	14,507	(7,060)
	19,580	11,992	3,218	12,411	17,858	13,515	15,812	(3,793)
Per share data								
Basic net earnings (loss)	0.24	0.15	0.03	0.13	0.17	0.16	0.24	(0.12)
Diluted net earnings (loss)	0.24	0.15	0.03	0.13	0.17	0.16	0.24	(0.12)
Adjusted earnings (loss)	0.13	0.00	0.03	0.01	0.31	0.02	0.04	0.32

Trading information, Clearwater Seafoods Incorporated, symbol CLR

	Q3	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Trading price range of shares (board lots)								
High	12.03	11.95	11.80	14.55	14.85	14.85	13.63	13.43
Low	8.93	10.15	9.85	10.69	13.50	12.05	9.95	9.91
Close	8.99	11.42	10.48	11.65	14.33	13.98	12.68	11.99
Trading volumes (000's)								
Total	4,738	5,554	7,837	5,688	2,747	3,995	3,051	3,062
Average daily	80	88	124	92	44	63	49	49
Shares outstanding at end of quarter	63,934,698	63,934,698	63,934,698	63,934,698	63,934,698	63,934,698	59,958,998	59,958,998

Clearwater

remarkable seafood, responsible choice

www.clearwater.ca