





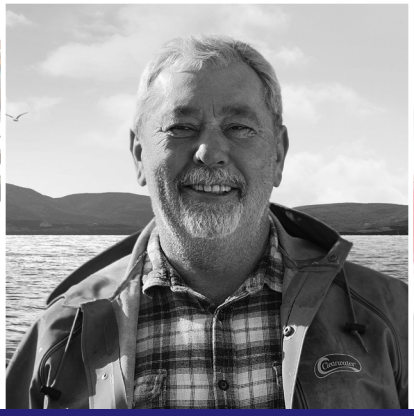

Clearwater®

2019 FIRST QUARTER REPORT










remarkable seafood, responsible choice

Table of Contents

LETTER TO SHAREHOLDERS

- First quarter sales and adjusted EBITDA[1] were $120.1 million and $20.0 million respectively versus $120.1 million and $19.1 million respectively in the prior year. Adjusted EBITDA grew 4.8% versus the prior year resulting in record Q1 adjusted EBITDA.

- Cash from operations and free cash flow were $12.3 million and $4.6 million respectively versus $14.8 million and $9.6 million in the prior year.

- Clearwater entered into a landmark 50-year partnership, effective January 1, 2019, with fourteen First Nations communities adjacent to the surf clam resource supporting Indigenous Reconciliation and expanding First Nation participation in Canadian fisheries.

- The Board of Directors declared a dividend of $0.05 per share payable on June 6, 2019 to shareholders of record as of May 23, 2019.

First Quarter Results

Record first quarter EBITDA of $20.0 million was driven by higher margin scallop sales, stronger demand for lobster in China and strong langoustine sales volumes as harvest volumes increased. As a result, gross margin as a percentage of sales increased over 16% from 15.4% in the prior year to 17.9% in the first quarter of 2019. Scallop mix, supply and costs were positive following an earlier start to the harvest and strong catch conditions.

Sales for the first quarter of 2019 were $120.1 million reflecting higher available supply in scallops, crab and langoustines and favourable prices and mix in clam and lobster. These were offset by competitive market conditions across scallop species leading to lower prices compared to first quarter of 2018. Scallop prices remained consistent with the fourth quarter of 2018. Average foreign exchange rates realized on sales for the first quarter of 2019 had a net positive impact on sales of $1.0 million as compared to the same period of the prior year.

Cash generated from operations was $12.3 million and free cash flow was $4.6 million compared to $14.8 million and $9.6 million respectively in the prior year. Strong cash flow generated from EBITDA was invested in inventory and capital expenditures.

Debt and Leverage

Leverage at the end of the first quarter of 2019 was 4.7x compared to 4.7x at the end of 2018 and 5.0x at the end of the first quarter of 2018. Higher EBITDA in the first quarter of 2019, as compared to the first quarter of 2018, offset a marginal increase in net debt. Cash generated from operations was invested in inventory, capital expenditures of $6.6 million and a $2.3 million reduction in debt. The debt reduction was offset by the impact of the new lease accounting standard.

Consistent with the seasonality of the business, we expect leverage to be higher during harvesting peaks before decreasing by the end of the year.

Dividends

On May 14, 2019, the Board of Directors approved and declared a dividend of $0.05 per share payable on June 6, 2019 to shareholders of record as of May 23, 2019.

The Board reviews Clearwater's dividends 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 favourable tax treatment applicable to such dividends.

Seasonality

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

OUTLOOK

For the remainder of 2019, we expect balanced growth across multiple species and regions led by Asia-Pacific and driven by increased volume and new product offerings including new products in clam, sea scallop, sea cucumber and whelk, as well as a full year offering of live crab.

Clearwater will continue de-leveraging activities in 2019, prioritizing cash generation, cost savings, margin improvement and normalized capital expenditures. The resulting cash generation will be used to reduce debt.

Clearwater has access to the full clam total allowable catch for 2019. Competitive conditions for scallop associated with higher worldwide supply are expected to continue for the year.

Clearwater's core fisheries are managed for long-term sustainability. We have taken and will continue to pursue timely and carefully considered measures in response to near-term challenges including; adjustments to harvest plans, pricing and distribution strategies, and cost and working capital reductions. These measures will generate strong cash flows from operations, reduce debt and leverage, yield a higher return on assets and generate positive returns to shareholder value.

Global demand for seafood is being 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 is well positioned to take advantage of this opportunity with its proprietary licences, 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 licences 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 its 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 Management Discussion and Analysis.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
May 14, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 14, 2019.

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 2019 first quarter news release.

This MD&A should be read in conjunction with the 2019 first quarter interim consolidated Financial Statements, the 2018 annual consolidated Financial Statements, the 2018 annual MD&A and the 2018 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, including but not limited to, statements regarding future plans and objectives of Clearwater. 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.

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 due to various known and unknown risks, uncertainties, and other factors outside of managements' control. Examples may include, but are not limited to, total allowable catch levels, resource supply, 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. 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 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 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 adjusted EBITDA, adjusted earnings, free cash flows, leverage, and return on assets.

Refer to non-IFRS measures reconciliations for further information.

CLEARWATER OVERVIEW

Clearwater is North America's largest vertically integrated harvester, processor and distributor of premium shellfish. Clearwater is a **leading global provider of wild-caught 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, langoustine, whelk, crab and groundfish with approximately 93 million pounds sold in 2018.

Global demand for premium wild-caught seafood among aging boomers and a rising middle class in the Asian-Pacific region is outpacing resource supply creating **powerful industry fundamentals**. 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** as the largest holder of shellfish quotas and licences 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 licences.

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 capabilities that enable high productivity and frozen-at-sea products that deliver superior taste and quality.

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 7% 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 networks, and global sales force combine to make Clearwater the industry leader in shellfish.

Clearwater's **proven and experienced leadership team** continues to build upon its world class capabilities in quality control and food safety, operations, new product development and leadership. Through its deep industry knowledge and talent, our team will continue to deliver on our operational and financial growth opportunities.

2019 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.

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

Strategies

1. **Expanding access to supply** – Expanding access to procured species through supplier relationships, long-term supply agreements and utilizing Clearwater's global supply chain to accommodate inroads to new procured species such as sea cucumber, langoustine and live crab.

2. **Target profitable & growing markets, channels & customers** – Global demand for shellfish continues to remain strong. Clearwater continues to focus on distribution expansion for clam and all Macduff products.

3. **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 shellfish to deliver superior satisfaction and value that is differentiated on the dimensions of taste, quality, safety, sustainability, wellness, convenience, and fair labour practices.

   Clearwater participated at the SIRHA trade show in France and at Seafood Expo North America in Boston where we promoted the recent launch of cockle clam and the upcoming launch of sea cucumber, along with the full range of Clearwater products. Clearwater innovated and deployed state-of-the-art automated sorting and defect detection technology in scallop and clam, contributing to greater processing efficiencies and product quality.

4. **Increase margins by improving price realization and cost management** – Sale prices are actively managed through a robust demand planning system which considers current market conditions and allocates products to markets and customers to maximize margins while continuous improvement programs manage costs. As a percentage of sales, margin improvement continued in the first quarter of 2019.

5. **Pursue and preserve the long-term sustainability** – Clearwater undertakes key research initiatives to support the long-term sustainability of our fisheries including innovative ocean bottom mapping research and analysis which Clearwater conducts in partnership with the Nova Scotia Community College. Our ocean bottom mapping data is exclusive intellectual property that contributes directly to our increasing harvest efficiency while reducing impact on the ocean habitat and improving sustainability.

   On an annual basis, Clearwater, in collaboration with other industry participants, continues to undertake video monitoring research in the Canadian sea scallop fishery adding to our understanding of resource dynamics and informing management for the development of harvest strategies that support long-term sustainability. Beginning in 2018, Clearwater utilized video monitoring research in the Argentina scallop fishery.

6. **Build organizational capability, capacity & engagement** – Clearwater continues to invest in talent and programs to build world-class capabilities throughout its organization.

Capability to Deliver Results

- **Liquidity and capital resources –** Leverage as at March 30, 2019 remained consistent with December 31, 2018 at 4.7x as strong EBITDA offset regular seasonal investment in inventory. Higher EBITDA in the first quarter of 2019 as compared to the first quarter of 2018 offset the marginal increase in net debt. Clearwater's seasonal investment in inventory and impact of the new lease accounting standard were offset by other working capital improvements.

- **Total allowable catch** – Following the Department of Fisheries ("DFO") announcement to cancel the process to issue a fourth clam license in late 2018, the remaining 25 percent of the clam quota was issued to Clearwater for 2019.

  The DFO also signaled their intent to initiate a new process in the spring of 2019 that would identify a licence holder to enhance access and promote Indigenous reconciliation effective 2020. In March 2019, Clearwater and fourteen First Nations communities in Nova Scotia and Newfoundland and Labrador reached a landmark reconciliation agreement in the Arctic Surf Clam Fishery. Refer to *First Quarter Key Highlights* for further information.

- **Harvesting fleet** – Our vessel fleet includes traditional and state-of-the-art factory vessels operating in Canada, the United Kingdom and Argentina.

EXPLANATION OF FINANCIAL RESULTS

Clearwater uses Key Performance Indicators ("KPIs") and Financial Measures to assess progress against our six core strategies.

Key performance indicators and financial measures

In 000's of Canadian dollars		**March 30 2019**		13 weeks ended March 31 2018
Profitability				
Sales	**$**	**120,083**	$	120,072
Sales growth		**0.0%**		(6.4%)
Gross margin	**$**	**21,551**	$	18,459
Gross margin (as a % of sales)		**17.9%**		15.4%
Adjusted EBITDA[1,2]	**$**	**20,033**	$	19,114
Adjusted EBITDA[1,2] (as a % of sales)		**16.7%**		15.9%
Adjusted EBITDA attributable to shareholders[1,2]	**$**	**16,297**	$	14,933
Adjusted EBITDA attributable to shareholders[1,2] (as a % of sales)		**13.6%**		12.4%
Earnings (loss) attributable to shareholders	**$**	**8,278**	$	(13,758)
Basic earnings (loss) per share	**$**	**0.13**	$	(0.22)
Diluted earnings (loss) per share	**$**	**0.13**	$	(0.22)
Adjusted earnings (loss) attributable to shareholders[1,2]	**$**	**(1,034)**	$	344
Adjusted earnings (loss) per share	**$**	**(0.02)**	$	0.01
Cash Flows and Leverage				
Cash from (used in) operating activities	**$**	**12,312**	$	14,834
Cash from (used in) financing activities	**$**	**(5,861)**	$	(8,580)
Cash from (used in) investing activities	**$**	**(5,963)**	$	(5,807)
Free cash flows[1]	**$**	**4,616**	$	9,632
Leverage[1,3]		**4.7**		5.0
Returns				
Return on assets[1,4]		**7.7%**		8.0%
Total assets		**726,204**		764,612

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations within the Management Discussion and Analysis.
[2] Adjusted earnings before interest, tax, depreciation and amortization.

[3] Leverage is calculated as twelve month rolling adjusted EBITDA attributable to shareholders to net debt and differs from the calculation of leverage for covenant purposes. Net debt at March 30, 2019 includes lease liabilities of $6.8 million recognized upon transition to IFRS 16 effective January 1, 2019.
[4] Return on assets is calculated as twelve month rolling adjusted earnings before interest and taxes to total average quarterly assets.

First quarter key highlights

The following are key highlights and developments based on Clearwater's KPIs and Financial Measures for the first quarter of 2019.

Profitability
Sales were consistent with the first quarter of the prior year while gross margin and adjusted EBITDA[1] increased as a percentage of sales.

- Improvements in gross margin and adjusted EBITDA as a percentage of sales reflects favourable sales mix weighted toward higher margin species and operational cost improvement initiatives.
- Gross margin as a percentage of sales increased over 16% from 15.4% in the prior year to 17.9% in the first quarter of 2019.
- Higher available supply in scallops and langoustines and favourable prices and sales mix in clam and lobster were partially offset by lower volumes and higher costs in certain other species. For sea scallops, strong catch rates combined with an earlier start to the harvest, produced higher volumes and lower costs as compared to the first quarter of 2018.
- Sales growth continued in Asia reaching 44% of total sales as compared to 39% in the same period of 2018 following the expansion of distribution channels.
- Earnings attributable to shareholders increased $22.0 million primarily due to unrealized foreign exchange gains on long-term debt.
- Adjusted earnings attributable to shareholders decreased $1.4 million compared to the same period of 2018 due to realized foreign exchange losses on working capital.

Cash flows and leverage
Cash from operations of $12.3 million and free cash flow of $4.6 million were generated as compared to $14.8 million and $9.6 million, respectively, in the prior year.

- Leverage improved to 4.7x compared to the prior year following reduced debt balances resulting from strong cash generated from operations in 2018 and a reduction in capital expenditures following the completion of the fleet renewal program in 2017.
- Cash from operations and free cash flow were lower than prior year as higher EBITDA was offset by higher interest and realized foreign exchange losses on working capital.
- Capital expenditures were $6.6 million as compared to $5.8 million in the prior year.

Returns
Return on assets[1] increased to 7.7% as compared to 7.4% as at December 2018 primarily due to higher EBITDA in the first quarter of 2019 as compared to the first quarter of 2018. Higher depreciation offset a decrease in the average asset base.

Developments
In 2017, the DFO announced the introduction of a fourth Arctic Surf Clam licence representing 25 percent of the existing TAC. The DFO has signaled their intent to initiate a process in 2019 whereby an independent third party would be employed to assess and evaluate Expressions of Interest with the objective of identifying a new Indigenous licence holder.

In March 2019, Clearwater entered into a voluntary agreement forging a 50-year partnership with fourteen First Nations communities adjacent to the surf clam resource (the "Landmark agreement"). Effective January 1, 2019, the Landmark agreement will provide millions of dollars in benefits to First Nations through annual revenue sharing, training, leadership development, employment, as well as procurement of goods and services from Indigenous suppliers. The partners also commit to work together to submit an Expression of Interest in any new upcoming DFO process. The partnership provides long-term stable access to supply to support Clearwater's existing infrastructure investments, grows our strategic business relationships with Indigenous partners, and supports Clearwater's commitment to diversity in the workforce while ensuring no job losses for existing employees.

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

EXPLANATION OF CHANGES IN EARNINGS

Overview

The condensed interim consolidated statement of earnings (loss) reflects the results of Clearwater for the 13 weeks ended March 30, 2019 and March 31, 2018. 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 (loss) follows.

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Sales	**$**	**120,083**	$	120,072	$	11
Cost of goods sold		**98,532**		101,613		(3,081)
Gross margin		**21,551**		18,459		3,092
		17.9%		*15.4%*		*2.5%*
Operating expenses						
Administrative and selling		**13,507**		11,652		1,855
Restructuring costs		**-**		482		(482)
Net finance costs		**7,811**		7,528		283
(Gains) losses on derivative financial instruments		**(9,235)**		5,834		(15,069)
Foreign exchange (gains) losses on long-term debt and working capital		**(129)**		3,570		(3,699)
Other (income) expense		**(625)**		(990)		365
Research and development		**74**		176		(102)
		11,403		28,252		(16,849)
Earnings (loss) before income taxes		**10,148**		(9,793)		19,941
Income tax (recovery) expense		**(636)**		406		(1,042)
Earnings (loss)	**$**	**10,784**	$	(10,199)	$	20,983
Earnings (loss) attributable to:						
Non-controlling interest	**$**	**2,506**	$	3,559	$	(1,053)
Shareholders of Clearwater		**8,278**		(13,758)		22,036
	$	**10,784**	$	(10,199)	$	20,983
Adjusted EBITDA attributed to:						
Non-controlling interests	**$**	**3,736**	$	4,181	$	(445)
Shareholders of Clearwater		**16,297**		14,933		1,364
Adjusted EBITDA [1]	**$**	**20,033**	$	19,114	$	919

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

Sales by species

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Scallops	**$**	**36,700**	$	**37,140**	$	(440)
Clams		**24,608**		**24,112**		496
Coldwater shrimp		**21,360**		**20,817**		543
Lobster		**19,182**		**21,071**		(1,889)
Langoustine		**10,418**		**8,589**		1,829
Whelks		**4,484**		**5,331**		(847)
Crab		**1,916**		**750**		1,166
Ground fish and other shellfish		**1,415**		**2,262**		(847)
	$	**120,083**	$	120,072	$	11

Sales by region

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Europe	**$**	**41,870**	$	46,111	$	(4,241)
China		**32,178**		21,106		11,072
Japan		**14,230**		18,229		(3,999)
Other Asia		**6,796**		7,725		(929)
Asia		**53,204**		47,060		6,144
United States		**17,289**		17,901		(612)
Canada		**7,714**		8,992		(1,278)
North America		**25,003**		26,893		(1,890)
Other		**6**		8		(2)
	$	**120,083**	$	120,072	$	11

Clearwater reported sales for both the first quarter of 2019 and 2018 of $120.1 million.

In the first quarter of 2019, higher available supply in scallops, crab and langoustines and favourable prices and sales mix in clam and lobster, were offset by competitive market conditions across scallop species and timing of turbot landings. Higher available supply of scallops was due to strong catch rates combined with an earlier start to the harvest as compared to the first quarter of 2018.

Average foreign exchange rates realized on sales for the first quarter of 2019 had a net positive impact to sales of $1.0 million as compared to the same period of the prior year.

Scallops

- Higher available supply due to strong catch rates combined with an earlier harvest as compared to the first quarter of 2018.
- Competitive conditions associated mainly with US scallop landings continued into 2019, resulting in lower sales prices for scallops in the first quarter as compared to the same period of 2018. Scallop prices remained consistent with the fourth quarter of 2018.

Clams

- Sales mix and price was favourable in the first quarter of 2019 as compared to the same period in 2018.
- Clearwater continues targeted efforts to increase volumes through customer and channel penetration and geographic distribution, including expansion in Asia.

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

Coldwater shrimp

- Coldwater shrimp sales increased in the first quarter of 2019 as compared to the same period in 2018 due to timing of landings of FAS shrimp.
- Selling prices in home currencies remain strong with consistent demand in Asia and Europe and favourable product mix.

Lobster

- Strong market demand, particularly in China and a shortage of landings early in the season resulted in higher sales prices.
- Volumes were down as opportunities were limited by the high raw material costs.

Langoustine

- Langoustine sales increased in the first quarter of 2019 as compared to the same period in 2018 as higher overall industry landings increased available supply.

Crab

- Sales increased in the first quarter of 2019 as procurement was expanded in the UK, increasing the available supply and the introduction of live crab in late 2018.

Whelk

- Sales decreased in the first quarter of 2019 due to market uncertainty and timing of sales.

Europe

Clearwater's largest scallop market and a key market for coldwater shrimp, langoustines, crab and lobster products.

Sales for the first quarter of 2019 declined $4.2 million to $41.9 million as compared to the same period of 2018.

The decline in sales was a result of a regional shift of FAS shrimp to Asia markets, increase in sales volumes for scallops due to availability of supply, offset by competitive price pressures for scallops and unfavourable foreign exchange rates.

The Euro, DKK and GBP weakened in the first quarter of 2019 as compared to the same period in 2018 resulting in a net negative impact of $1.4 million.

China

Key market for clams, coldwater shrimp, lobster and turbot.

Sales for the first quarter of 2019 increased $11.1 million to $32.2 million as compared to the same period of 2018 resulting from a broad-based shift into China across multiple species. Higher clam sales with favourable product mix weighted towards higher sales prices, higher FAS shrimp sales that were supported by strong sales prices, and strong demand for lobster and the addition of live crab beginning in late 2018 contributed to sales.

Sales in China are almost exclusively transacted in US dollars. The first quarter sales of 2019 were positivity impacted by average foreign exchange rates as compared to the same period of the prior year by $1.4 million.

Japan

Primary species are clams, lobster, coldwater shrimp and turbot.

Sales for the first quarter decreased $4.0 million to $14.2 million as compared to the same period in 2018. The decrease was primarily the result of a regional shift of clam sales to China and timing of landings for turbot, partially offset by favorable sales mix for FAS shrimp.

1 – Refer to discussion on risks and uncertainties

Sales in Japan are typically transacted in Yen. The Yen continued to strengthen in the first quarter as compared to the prior year resulting in a net positive impact of $0.2 million.

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

Sales for the first quarter of 2019 decreased $0.9 million to $6.8 million as compared to the same period in 2018 primarily as a result of competitive market conditions for scallops and timing of sales of whelk, partially offset by higher clam sales.

United States
Primary species are scallops, lobster and clams.

Sales for the first quarter of 2019 of $17.3 million was consistent with the same period in 2018 as competitive price pressures for scallops and lower sales volume for lobster were offset by increased volumes and sales price for langoustine.

Sales for the first quarter of 2019 were positively impacted by $0.8 million favourable average foreign exchange as compared to the same period in the prior year.

Canada
Large market for lobster, scallops, snow crab, clams and coldwater shrimp.

Sales for the first quarter of 2019 decreased $1.3 million to $7.7 million as compared to the prior year due to unfavourable sales mix for clam and reduced sales volume for lobster, partially offset by higher pricing for lobster.

Average foreign exchange rates realized on sales

For the first quarter of 2019, favourable foreign exchange rates for the USD and YEN as compared to the same period of 2018, offset by unfavorable foreign exchange rates for Euro and GBP positively impacted sales by $1.1 million.

	March 30, 2019		March 31, 2018	
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1]
US dollars	**43.1%**	**1.331**	39.5%	1.271
Euros	**24.0%**	**1.506**	23.4%	1.561
Canadian dollar and other	**9.8%**	**-**	10.3%	-
UK pounds	**9.6%**	**1.734**	9.2%	1.774
Japanese Yen	**9.8%**	**0.0121**	11.0%	0.0118
Danish Kroner	**3.7%**	**0.202**	6.6%	0.209
	100.0%		100.0%	

Cost of goods sold

Cost of goods sold includes harvesting and procurement costs, manufacturing costs, depreciation, transportation and administration.

Cost of goods sold decreased in the first quarter of 2019 by $3.1 million as compared to the same period of 2018. The decrease is primarily due to sales mix weighted towards species with lower variable costs and reduced overheads following cost savings programs.

1 – Refer to discussion on risks and uncertainties

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, langoustine and whelk.

Gross margin

Gross margin for the first quarter of 2019 increased $3.1 million to $21.6 million as compared to 2018. Gross margin as a percentage of sales increased in the first quarter of 2019 to 17.9% compared to 15.4% in the prior year.

Gross margin increased due to higher available supply of sea scallops following an earlier start to the fishing harvest and optimal harvesting conditions. Strong demand for lobster resulted in higher selling prices. These gains were partially offset by higher opening inventory costs for certain species.

In the first quarter of 2019, average foreign exchange rates realized on sales had a net positive impact to gross margin of $1.0 million.

Operating expenses

In 000's of Canadian dollars		**March 30 2019**	March 31 2018		Change
Salaries and benefits	**$**	**10,241**	$ 9,612	$	629
Share-based compensation		**126**	(906)		1,032
Employee compensation		**10,367**	8,706		1,661
Consulting and professional fees		**3,401**	2,898		503
Other[1]		**3,232**	3,258		(26)
Allocation to cost of goods sold		**(3,493)**	(3,210)		(283)
Administrative and selling	**$**	**13,507**	$ 11,652	$	1,855
Restructuring costs		**-**	482		(482)
Operating expenses	**$**	**13,507**	$ 12,134	$	1,373

[1] Other includes, but is not limited to, selling costs, travel and occupancy, depreciation and donations.

Operating expense increased $1.4 million for the first quarter of 2019 as compared to the same period of 2018 due to higher share-based compensation expense driven by changes in Clearwater's period-end share price and timing of employee compensation.

Net finance costs

In 000's of Canadian dollars		**March 30 2019**	March 31 2018		Change
Interest and bank charges	**$**	**7,063**	$ 6,662	$	401
Amortization of deferred financing charges and accretion		**436**	404		32
		7,499	7,066		433
Accretion on deferred consideration		**312**	462		(150)
	$	**7,811**	$ 7,528	$	283

[1] Interest rate swaps and caps represent 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.

Net finance costs increased $0.3 million in the first quarter of 2019 as compared to the same period in 2018 due to USD strengthening relative to the CDN dollar impacting interest on the USD senior unsecured notes and higher interest rates on variable rate debt offset by lower average revolving debt balance.

(Gains) losses on derivative financial instruments

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Realized (gain) loss						
Forward foreign exchange contracts	**$**	**(627)**	$	(1,297)	$	670
Unrealized loss (gain)						
Forward foreign exchange contracts		**(8,608)**		7,131		(15,739)
	$	**(9,235)**	$	5,834	$	(15,069)

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

Clearwater also recognizes unrealized non-cash gains and losses on these instruments resulting from the change in fair value. Clearwater estimates the fair value of the derivative financial instruments based on forward prices and converts them to Canadian dollars at each balance sheet date. The unrealized non-cash gains or losses are excluded when calculating adjusted EBITDA and adjusted earnings attributable to shareholders of Clearwater.

Realized gains on settled forward foreign exchange contracts decreased $0.7 million in the first quarter of 2019 versus the same period in 2018. The unrealized gain is due to average contracted rates for most currency pairs being more favourable compared to the spot rate on the date of settlement in 2019.

The increase in unrealized gain of $15.7 million in the first quarter of 2019 as compared to the same period in 2018 is dependent on average contracted rates as compared to the forward rates based on maturity. The unrealized gain in the first quarter of 2019 is primarily due to average contracted rates for USD, YEN and Euro being favourable compared to current projected forward rates at maturity, since year-end.

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

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Realized (gain) loss						
Long-term debt and working capital	**$**	**683**	$	(3,389)	$	4,072
Unrealized (gain) loss						
Long-term debt and working capital		**(5,990)**		9,528		(15,518)
Forward exchange contracts, cross currency swaps and cap related to long-term debt		**5,178**		(2,569)		7,747
		(812)		6,959		(7,771)
	$	**(129)**	$	3,570	$	(3,699)

Realized foreign exchange losses on long-term debt and working capital were $0.7 million in the first quarter of 2019 as compared to an unrealized gain of $3.4 million in 2018. In the first quarter of 2018, GBP and USD foreign exchange rates strengthened relative to the CDN dollar, as compared to year-end rates in 2017, resulting in favorable working capital settlements.

Unrealized foreign exchange gains on long-term debt and working capital for the first quarter of 2019 were $6.0 million as compared to an unrealized loss of $9.5 million in 2018. The unrealized gains are primarily due to long-term debt denominated in USD which are translated into Canadian dollars as at the period-end spot rates.

Partially offsetting unrealized gains on long-term debt and working capital, were unrealized losses related to forward foreign exchange contracts to hedge approximately 80% of the notional amount of the USD senior unsecured notes.

Other (income) expense

In 000's of Canadian dollars		**March 30 2019**		March 31 2018		Change
Share of (earnings) loss of equity-accounted investee	**$**	**(1,083)**	$	(252)	$	(831)
Fair value adjustment on earn-out liability		**85**		(387)		472
Other (income) fees		**(132)**		(231)		99
Royalties, interest and other fees (income)		**405**		(272)		677
Acquisition related costs		**100**		152		(52)
	$	**(625)**	$	(990)	$	365

Other income decreased by $0.4 million in the first quarter of 2019 primarily due to fair value adjustments on the earn-out liability, offset by higher equity income.

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.

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.

Income tax recovery was $0.6 million in the first quarter of 2019 as compared to an income tax expense of $0.4 million for the same period in 2018 primarily due to income in foreign tax jurisdictions and related foreign exchange impacts.

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 $1.1 million for the first quarter of 2019 relates primarily to unrealized foreign exchange losses as compared to an unrealized foreign exchange gain in 2018.

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 effected.

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 (loss) attributable to shareholders

Earnings attributable to shareholders increased $22.0 million in the first quarter of 2019 as compared to the same period in 2018. The increase was primarily a result of higher unrealized foreign exchange gains on long-term debt and working capital and higher gross margin.

Adjusted earnings attributable to shareholders

To assist readers in understanding our earnings we have included a calculation of adjusted earnings with Non-IFRS Measures, Definitions and Reconciliations. 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.

Adjusted earnings attributable to shareholders[1] decreased in the first quarter of 2019 as compared to 2018 primarily due to realized foreign exchange losses on working capital.

Refer to the section entitled "*Non-IFRS measures, definitions and reconciliations*" for the definition of adjusted earnings and a reconciliation of adjusted earnings to net earnings.

CAPITAL STRUCTURE AND LIQUIDITY

Clearwater's overall approach is to have a cost-effective capital structure that supports growth, while maintaining flexibility, reducing interest rate risk and reducing foreign exchange risk by borrowing in currencies other than the Canadian dollar, when appropriate.

Clearwater maintains flexibility in its capital structure by regularly reviewing forecasts and multi-year business plans and modifying 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 or amending existing debt facilities and, selling surplus assets to repay debt.

The following are key elements of our capital strategy:

- Maintain sufficient liquidity to enable continued access to capital to finance operations, including investments in innovation and technology and to fund growth;
- Target a long-term leverage ratio of 3.0x;
- Limit potential foreign exchange volatility in cash flows; and
- Generate strong cash flows from operations to fund scheduled loan payments, capital expenditures and distributions to non-controlling interest and to provide for sufficient free cash flow to fund growth-investments and pay a sustainable dividend to its shareholders.

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

Capital structure

Clearwater's capital structure includes a combination of equity and various types of debt facilities. 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 certain lending facilities is a function of 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's capital structure was as follows as at March 30, 2019 and December 31, 2018:

In 000's of Canadian dollars As at December 31		**2019**		2018
Equity				
Share capital	**$**	**215,605**	$	215,506
Contributed surplus		**4,300**		4,218
Deficit		**(33,812)**		(38,848)
Accumulated other comprehensive income (loss)		**(37,265)**		(36,053)
		148,828		144,823
Non-controlling interest		**18,206**		18,397
		167,034		163,220
Long-term debt				
Senior debt, non-amortizing				
USD senior unsecured notes, due 2025[1]		**327,146**		333,955
Revolving debt, due in 2022[2]		**55,565**		58,019
Term loan, due in 2019		**13,348**		13,637
Term loan, due in 2091		**3,500**		3,500
		399,559		409,111
Senior debt, amortizing				
Term Loan B, due 2022[3]		**34,093**		34,177
Other loans		**97**		112
		34,190		34,289
Lease liabilities[4]		**6,750**		-
Deferred obligation[5]		**16,812**		16,504
Earnout liability[5]		**3,597**		3,513
Total long-term debt		**460,908**		463,417
Total capital	**$**	**627,942**	$	626,637

1. USD senior unsecured notes is net of unamortized deferred financing charges of $6.6 million with a US dollar coupon rate of 6.875%. This resulted in an effective interest rate of approximately 7.2%.

2. The revolving debt is net of unamortized deferred financing charges of $1.9 million resulting in an effective interest rate of approximately 5.76%. As of March 30, 2019, subject to financial covenants, Clearwater may borrow up to an additional CDN $57.9 million on the undrawn facility. The availability on this loan is reduced by the amount outstanding on a USD $10 million non-amortizing term loan.

3. Term Loan B is net of unamortized deferred financing charges of $0.2 million. As of March 30, 2019, this resulted in an effective interest rate of approximately 4.83%.

4. Lease liabilities was recognized upon adoption of IFRS 16, effective January 1, 2019 and represents that present value of remaining lease payments discounted using an incremental borrowing rate.

5. The Deferred Obligation and Earnout Liability relate to the acquisition of Macduff in 2015.

Equity

In 2019, Clearwater issued 19,240 common shares under its share-based compensation plans.

Clearwater reserved 2.5 million common shares (March 30, 2019 - 2.5 million remaining) for issuance under the share-based compensation plans and 3.0 million (March 30, 2019 - 2.1 million remaining) under the dividend reinvestment plan.

There are 64,861,233 shares outstanding as of March 30, 2019 (December 31, 2018 - 64,841,993).

Long-term debt

As at March 30, 2019 long-term debt includes:

- USD $250 million senior unsecured notes, due 2025 with a US dollar coupon rate of 6.875% ("the USD Notes"). Forward foreign exchange contracts are in place to hedge approximately 80% of the notional value of the USD Notes at an average rate of 1.2844 and approximately 80% of the coupon payments at an average rate of 1.2830 through to 2022. Clearwater has applied hedge accounting to these forward foreign exchange contracts that hedge coupon payments;

- Senior secured credit facilities consisting of a CDN $200 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 banker's acceptance rate ("BA rate") plus 1.50% to 2.25% for the revolving credit facility and BA rate 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. The revolver and Term Loan B are secured by a first charge on cash and cash equivalents, accounts receivable, inventory, marine vessels, licences and quotas, and Clearwater's investments in certain subsidiaries;

- Other term loans: The term loan maturing in 2019 is for USD $10 million, for a term of 1-year and the borrower is a subsidiary in Argentina; this loan is supported by a secured letter of credit. The term loan maturing in 2091 has recourse limited to the asset financed; and

- Lease liabilities: effective January 1, 2019, the Company is required to present all lease arrangements on the statement of financial position. As a result, lease liabilities of $6.8 million have been recognized equal to the present value of remaining lease payments discounted at the incremental borrowing rate (refer to *Critical Accounting Policies* for further information). Clearwater currently leases office space, machinery, wharves, equipment and vehicles.

Also included in Clearwater's long-term debt is deferred consideration related to the acquisition of Macduff in 2015 comprised of a deferred obligation and an earnout liability.

- The Deferred Obligation consists of deferred payments for 33.75% of the shares of Macduff acquired by Clearwater (the "Earn Out Shares") in 2015. The principal outstanding balance as at March 30, 2019 is £10.5 million (CDN $18.3 million) (December 31, 2018 - £10.5 million (CDN $18.3 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%. 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. Beginning in 2017, Clearwater had the right to exercise the payout of 20% of the Deferred Obligation annually.

- The holders of the Earn Out Shares elected to be paid 20% of the Deferred Obligation in both 2018 and 2017 resulting in payments of £5.2 million (CDN - $8.9 million) and £5.2 million (CDN - $8.8 million) in November 2018 and November 2017, respectively.

- The Earnout liability is unsecured additional consideration to be paid dependent upon the financial performance of Macduff and the percentage of Deferred Obligation remaining unpaid at the time of payment. The estimated fair value of the Earnout liability at March 30, 2019 is £2.1 million (CDN - $3.6 million) (December 31, 2018 - £2.0 million, CDN - $3.5 million). The Earnout liability is recorded at fair value on the consolidated statement of financial position. See the consolidated financial statements for terms and valuation of the Earnout liability.

Excluding deferred consideration and the related earnout liability, Clearwater has effectively fixed the interest rate on 76% percent of its debt as at March 30, 2019.

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

Capital Requirements

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

We schedule ongoing capital expenditure programs to maintain the operating capacity of our assets at existing levels, referred to as maintenance capital, which are typically funded by operating cash flows.

Sources of Liquidity

Our primary sources of liquidity to fund current operations, seasonal operations, seasonal working capital demands, capital expenditures, and other commitments consists of:

- Cash flow from operating activities;
- Cash on deposit; and
- $200 million revolving loan.

As of March 30, 2019, Clearwater had $36.0 million in cash, and $57.9 million available to draw down on its revolving facility.

In 000's of Canadian dollars

As at	**March 30 2019**	March 31 2018	April 1 2017
Cash	$ **35,951**	$ 37,367	$ 20,553
Availability on revolving credit facility	**57,888**	83,461	38,779
Sources of liquidity	**93,839**	120,828	59,332

Leverage[1]

Leverage as at March 30, 2019 remained consistent with December 31, 2018 at 4.7x. Higher EBITDA in the first quarter of 2019 as compared to the first quarter of 2018 offset a marginal increase in net debt. Cash generated from operations was invested in inventory, a return to normalized capital expenditures and a $2.3 million reduction of debt. The debt reduction was offset by the impact of the new lease accounting standard.

Leverage improved over the same period in 2018 following record cash generated from operations in 2018 and a reduction in capital expenditures following the completion of the fleet renewal program in 2017, combined with an increase in adjusted EBITDA attributable to shareholders.

In 000's of Canadian dollars

As at		**March 30 2019**	December 31 2018		March 31 2018		April 1 2017
Adjusted EBITDA[1] attributable to shareholders	$	**89,537**	88,175	$	88,289	$	99,483
Net Debt[2,3,4] (excluding non-controlling interest)		**419,007**	418,455		443,181		441,490
Leverage		**4.7**	4.7		5.0		4.4

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

[2] Debt at March 30, 2019 includes lease liabilities of $6.8 million recognized upon adoption of IFRS 16 effective January 1, 2019 and has been adjusted to include a USD $200 million forward foreign exchange contract at an average contracted rate of 1.2844.

[3] Debt is net of unamortized deferred financing charges of $8.7 million (December 31, 2018 - $9.2 million; March 31, 2018 - $10.0 million; April 1, 2017 - $1.3 million).

[4] Net debt is adjusted for cash attributable to shareholders.

Clearwater's leverage measure is based on the ratio of adjusted EBITDA attributable to shareholders to its outstanding debt, net of cash balances. Clearwater's longer-term goal is a leverage ratio of 3.0x.

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

Foreign Exchange Management

Clearwater has a foreign exchange risk management program which limits cash flow volatility arising from foreign currency cash flows. Clearwater currently uses forward contracts to lock in foreign exchange rates up to 18 months for anticipated sales and long-term debt related hedges extend through to 2022. A reduction in volatility from currency exposures improves earnings predictability.

As of March 30, 2019, Clearwater had forward exchange contracts outstanding:

Currency	Forecasted transaction	Notional (millions)	Average rate
USD to CDN	Sales	103.1	1.3011
Yen to CDN	Sales	3,505.4	0.0121
Euro to CDN	Sales	38.2	1.5551
Euro to GBP	Sales	35.2	0.8799
CDN to USD	Debt	248.1	1.2841

Refer to the section entitled *Risks and Uncertainties*.

REVIEW OF CASHFLOWS

Clearwater endeavors to generate strong cash flows from operations to fund scheduled loan payments, capital expenditures and distributions to non-controlling interests and to provide sufficient free cash flow to fund growth investments and pay a sustainable dividend to its shareholders.

The following table summarizes information about Clearwater's cash flows:

In 000's of Canadian dollars		March 30 **2019**	13 weeks ended March 31 2018
Cash from (used in) operating activities	**$**	**12,312** $	14,834
Cash from (used in) financing activities		**(5,861)**	(8,580)
Cash from (used in) investing activities		**(5,963)**	(5,807)
Free cash flow[1,2]	**$**	**4,616** $	9,632
Supplemental cash flow information			
Changes in working capital	**$**	**4,099** $	1,996
Decrease (increase) in inventory[3]		**(5,150)**	(1,529)
(Decrease) increase in accounts payable		**3,445**	(12,294)
Decrease (increase) in accounts receivable		**6,823**	18,611
Decrease (increase) in prepaids		**(588)**	(3,908)
(Decrease) increase in income tax payable		**(431)**	1,116
Purchase of property, plant and equipment	**$**	**(6,575)**$	(5,766)

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations.

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

3 Decrease (increase) in inventory for 2018 has been restated to reflect the impact of depreciation recorded within inventory to be consistent with the current period. The change in presentation had no impact on cash from operations.

Cash flow from Operating Activities

In the first quarter of 2019, cash generated from operations decreased $2.5 million to $12.3 million compared to the same period of 2018 as higher cash generated from EBITDA was offset by higher interest expense and realized foreign exchange losses on working capital. Cash generated from working capital was due to timing of payables and receivables offset by seasonal investment in inventory.

Cash flow from Financing Activities

In the first quarter of 2019, cash was used in financing activities to repay $2.6 million of the revolving credit facility compared to $5.2 million in 2018 and fund distributions to non-controlling interests of $2.8 million compared to $3.2 million.

Cash Flow from Investing Activities

Cash used in investing activities increased slightly in the first quarter of 2019 compared to the same period in 2018 due to higher capital expenditures.

Free Cash Flow[1]

Free cash flows for the first quarter of 2019 was $4.6 million as compared to $9.6 million in the same period of 2018 due to lower cash generated from operations and a return to normalized capital expenditures.

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

Changes in working capital

Clearwater manages working capital within cash from operations and free cash flow. 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 detailed 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 represented less than 5 percent of consolidated sales.

Purchase of Property Plant and Equipment

Clearwater manages capital spending within cash from investing activities and free cash flow. Clearwater evaluates investments in property, plant, equipment and licences as either return on investment or maintenance capital and tracks each project accordingly. Significant expenditures that are expected to have a return in excess of the cost of capital are classified as return on investment, 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 repairs and maintenance capital. In 2019, Clearwater expects to invest between $25-$30 million in capital projects relating to vessel refits and land-based supply chain infrastructure.

Dividends

On May 14, 2019 the Board of Directors approved and declared a dividend of $0.05 per share payable on June 6, 2019 to shareholders of record as of May 23, 2019.

On February 15, 2018 the Board approved a DRIP effective February 23, 2018 to provide shareholders of Clearwater who are resident in Canada with the option to have the cash dividends declared on the common shares of Clearwater reinvested automatically back into additional shares, without the payment of brokerage commissions or service charges.

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 Clearwater’s dividend policy on a regular basis to ensure the dividend level remains consistent with the 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

For the remainder of 2019, we expect balanced growth across multiple species and regions led by Asia-Pacific and driven by increased volume and new product offerings including new products in clam, sea scallop, sea cucumber and whelk, as well as a full year offering of live crab.

Clearwater will continue de-leveraging activities in 2019, prioritizing cash generation, cost savings, margin improvement and normalized capital expenditures. The resulting cash generation will be used to reduce debt.

Clearwater has access to the full clam total allowable catch for 2019. Competitive conditions for scallop associated with higher worldwide supply are expected to continue for the year.

Clearwater's core fisheries are managed for long-term sustainability. We have taken and will continue to pursue timely and carefully considered measures in response to near-term challenges including; adjustments to harvest plans, pricing and distribution strategies, and cost and working capital reductions. These measures will generate strong cash flows from operations, reduce debt and leverage, yield a higher return on assets and generate positive returns to shareholder value.

Global demand for seafood is being 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 is well positioned to take advantage of this opportunity with its proprietary licences, 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.

The business risks of Clearwater are generally consistent with those disclosed in the 2018 Annual Information Form with the exception of any updates to those risks noted below.

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.

Political risk

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

United Kingdom

On June 23, 2016, the United Kingdom ("UK") voted to leave the European Union ("EU") ("Brexit"). On March 29, 2017, the Prime Minister of the UK 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. Full discussions related to the future economic partnership agreements began in July 2018.

The UK Parliament has yet to accept the Withdrawal Agreement between the EU and the UK Government. The original date for the UK leaving the EU of March 31, 2019 has now passed, with the Article 50 period being extended until October 31, 2019, or prior to this if the UK Parliament agrees to an acceptable deal with the EU. The delay results in continued uncertainty with possible scenarios ranging from no deal, to no Brexit with leadership challenges, general elections and second referenda, all still being discussed. An implementation period would follow any agreed exit deal.

The Fisheries Bill is currently stalled in the House of Commons and will only progress when the Parliament's view on relations with the EU have been decided.

As a business, we are taking a fully participative, active and advisory role in all preparatory government working groups for shellfisheries and processing; looking at trade, fisheries access and immigration/labour related matters. The Company expects to be able to assess, manage and plan for any impacts to the business through our involvement in the negotiations and their outputs.

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

The Management of Clearwater, with the participation of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") (collectively "Management"), is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings.*

There have been no changes to controls during the quarter ended March 30, 2019 that have materially affected, or are reasonably likely to materially affect, Clearwater's ICFR.

Adoption of new and revised standards

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 which supersedes the previous lease accounting standards IAS 17 – Leases and IFRIC 4 – Determining whether an arrangement contains a lease.

The 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.

The Company has elected to apply the modified retrospective approach on transition. The modified retrospective approach does not require restatement of prior period financial information.

Leases accounted for as finance leases under IAS 17 have been reclassified to right-of-use assets within property, plant and equipment and lease liabilities from other long-term liabilities.

The following is a reconciliation of operating lease commitments as at December 31, 2018 under IAS 17, to the lease liabilities under IFRS 16 on January 1, 2019.

Operating lease commitments, as disclosed December 31, 2018	$	**10,501**
Contracts reassessed upon transition[1]		**(3,004)**
Finance lease liabilities under IAS 17		**308**
Net lease liability commitments		**7,805**
Discounted		**(712)**
Lease liabilities as at January 1, 2019	**$**	**7,093**

[1] Contracts reassessed upon transition include contracts identified as service or quota agreements, and the amount of additional lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at December 31, 2018.

The lease liability represents the present value of remaining lease payments discounted using the incremental borrowing rate dependent on the currency, term and underlying asset of the agreement.

The associated right-of-use assets were recognized in property, plant and equipment at an amount equal to the lease liability at January 1, 2019, with no impact to retained earnings.

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 2019				
Sales	$ 120,082	$ -	$ -	$ -
Adjusted EBITDA	20,033	-	-	-
Adjusted EBITDA attributable to shareholders[1]	16,297	-	-	-
Earnings (loss) attributable to shareholders	8,277	-	-	-
Earnings (loss) per share	0.13	-	-	-
Diluted earnings (loss) per share	0.13	-	-	-
Weighted average shares outstanding[2]	64,842,209	-	-	-
Fiscal 2018				
Sales	$ 120,072	$ 148,142	$ 164,225	$ 159,807
Adjusted EBITDA	19,114	30,501	30,686	24,090
Adjusted EBITDA attributable to shareholders[1]	14,933	26,147	25,373	21,722
Earnings (loss) attributable to shareholders	(13,758)	(923)	10,818	(12,340)
Earnings (loss) per share	(0.22)	(0.01)	0.17	(0.19)
Diluted earnings (loss) per share	(0.22)	(0.01)	0.17	(0.19)
Weighted average shares outstanding[2]	63,935,153	64,154,263	64,417,905	64,676,360
Fiscal 2017				
Sales	$ 128,367	$ 154,302	$ 163,597	$ 174,766
Adjusted EBITDA	19,767	27,542	32,797	28,490
Adjusted EBITDA attributable to shareholders[1]	15,798	23,550	26,961	22,846
Earnings (loss) attributable to shareholders	2,172	9,489	15,054	(10,956)
Earnings (loss) per share	0.03	0.15	0.24	(0.17)
Diluted earnings (loss) per share	0.03	0.15	0.24	(0.17)
Weighted average shares outstanding	63,934,698	63,934,698	63,934,698	63,934,698

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations
[2] In 2018, Clearwater implemented a Dividend Reinvestment Plan and issued shares under the share-based compensation plans.

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

Due to seasonality, sales generally increase with each successive quarter with the highest revenues in the second half of each year.

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

NON- IFRS MEASURES, DEFINITIONS AND RECONCILIATIONS

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

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 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 share-based compensation. In addition, recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts), have been excluded from the calculation of Adjusted EBITDA. Unrealized gains and losses on forward exchange contracts relate to economic hedging on future operational transactions and by adjusting for them, the results more closely reflect the economic effect of the hedging relationships in the period to which they relate.

Reconciliation of net earnings (loss) to adjusted EBITDA for the 13 weeks ended March 30, 2019 and March 31, 2018 and rolling twelve months ended March 30, 2019, March 31, 2018 and April 1, 2017 is as follows:

	13 weeks ended		12 months Rolling		
	March 30 2019	**March 31 2018**	**March 30 2019**	**March 31 2018**	**April 1 2017**
Earnings (loss)	$ 10,783	$ (10,199)	$ 17,277	$ 14,821	$ 47,003
Add (deduct):					
Income taxes	(636)	406	697	8,762	15,538
Taxes and depreciation for equity investment	465	368	573	2,377	1,147
Depreciation and amortization	10,036	10,966	47,913	46,576	36,948
Interest on long-term debt and bank charges	7,499	7,067	30,679	30,334	26,600
Earnings before interest, taxes, depreciation and amortization	$ 28,147	$ 8,608	$ 97,139	$ 102,870	$ 127,236
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (gain)	(9,420)	14,092	5,541	(9,489)	(10,848)
Fair market value on long-term debt	397	75	1,418	(1,377)	(757)
Realized foreign exchange loss (gain) on working capital	683	(3,389)	(1,442)	(248)	3,136
Restructuring and refinancing costs	100	634	332	16,476	1,878
Share-based compensation (recovery) expense	126	(906)	2,320	(292)	1,196
Adjusted EBITDA	**$ 20,033**	**$ 19,114**	**$ 105,308**	**$ 107,940**	**$ 121,841**
Adjusted EBITDA attributed to:					
Non-controlling interests	$ 3,736	$ 4,181	$ 15,771	$ 19,651	$ 22,358
Shareholders of Clearwater	16,297	14,933	89,537	88,289	99,483
	$ 20,033	**$ 19,114**	**$ 105,308**	**$ 107,940**	**$ 121,841**

Adjusted earnings attributable to shareholders

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

Reconciliation of net earnings to adjusted earnings for the 13 weeks ended March 30, 2019 and March 31, 2018 and rolling twelve months ended March 30, 2019, March 31, 2018 and April 1, 2017 is as follows:

		13 weeks ended		Rolling 12 months ended		
		March 30 2019	**March 31 2018**	**March 30 2019**	**March 31 2018**	**April 1 2017**
Reconciliation of net earnings to adjusted earnings						
Earnings (loss)	$	10,783	$ (10,199)	$ 17,277	$ 14,821	$ 47,003
Add (deduct)						
Restructuring and refinancing costs		100	634	332	16,476	516
Acquisition related costs		-	-	-	-	(42)
Share-based compensation (recovery)		126	(906)	2,320	(292)	1,196
Unrealized foreign exchange (gain) loss		(9,420)	14,092	5,541	(9,489)	(10,848)
Devaluation of peso on working capital		-	-	-	-	653
Fair value on long-term debt		397	75	1,418	(1,377)	(758)
		(8,797)	13,895	9,611	5,318	(9,283)
Adjusted earnings	**$**	**1,986**	**$ 3,696**	**$ 26,888**	**$ 20,139**	**$ 37,720**
Adjusted earnings attributable to:						
Non-controlling interests		3,020	3,352	12,434	13,098	15,757
Shareholders		(1,034)	344	14,454	7,041	21,963
	$	1,986	$ 3,696	$ 26,888	$ 20,139	$ 37,720
Adjusted earnings per share:						
Weighted average of shares outstanding		64,842,209	63,935,153	64,522,629	63,934,698	63,060,918
Adjusted earnings per share for shareholders		(0.02)	0.01	0.22	0.11	0.35
Reconciliation of adjusted earnings to adjusted EBITDA						
Adjusted earnings	$	1,986	$ 3,696	$ 26,888	$ 20,139	$ 37,720
Add (deduct)						
Income tax expense		(636)	406	697	8,762	15,538
Depreciation and Amortization		10,036	10,966	47,913	46,576	36,948
Interest on long-term debt and bank		7,499	7,067	30,679	30,334	26,600
Taxes and depreciation on equity investment		465	368	573	2,377	1,147
Realized foreign exchange (gain) loss on working capital		683	(3,389)	(1,442)	(248)	2,484
Other reorganizational costs		-	-	-	-	1,404
		18,047	15,418	78,420	87,801	84,121
Adjusted EBITDA[1]	**$**	**20,033**	**$ 19,114**	**$ 105,308**	**$ 107,940**	**$ 121,841**

Free cash flows

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

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

Reconciliation for the 13 weeks ended March 30, 2019 and March 31, 2018 and rolling twelve months ended March 30, 2019, March 31, 2018 and April 1, 2017 is as follows:

	13 weeks ended		12 months Rolling		
	March 30 2019	March 31 2018	March 30 2019	March 31 2018	April 1 2017
Adjusted EBITDA	$ 20,033	$ 19,114	$ 105,308	$ 107,940	$ 121,841
Less:					
Interest and bank charges	(7,499)	(6,662)	(29,388)	(28,816)	(24,609)
Current income tax expense	(905)	(1,952)	(5,271)	(11,111)	(10,033)
Other income and expense items	(3,416)	2,338	(14,680)	(11,695)	(2,964)
Operating cash flow before changes in working capital	8,213	12,838	55,969	56,318	84,235
Changes in working capital	4,099	1,996	18,000	34,610	(34,030)
Cash flows from operating activities	**12,312**	**14,834**	**73,969**	**90,928**	**50,205**
Sources (uses) of cash:					
Purchase of property, plant, equipment and other assets	(6,575)	(5,766)	(19,934)	(72,087)	(65,084)
Proceeds from disposal of fixed assets	1,227	-	1,227	2,408	308
Less: Designated borrowings[1]	-	1,106	-	31,450	34,745
Scheduled payments on long-term debt	(101)	(101)	(10,648)	(10,537)	(15,155)
Repayments of lease liabilities	(351)	-	(351)	-	-
Dividends received from joint venture	-	-	3,228	3,340	-
Distributions to non-controlling interests	(2,780)	(3,244)	(10,890)	(18,138)	(19,463)
Non-routine project costs	394	1,719	3,103	5,111	684
Payments on long-term incentive plans	490	1,084	490	2,702	5,670
Free cash flows	$ **4,616**	$ **9,632**	$ **40,194**	$ **35,177**	$ **(8,090)**
Reconciliation of change in cash flows in					
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash	(2,618)	(6,324)	(27,652)	5,831	(48,527)
Issuance of equity	-	-	4,548	-	53,024
Other investing activities	(615)	(40)	(1,381)	(5,088)	(1,341)
Other financing activities	(11)	(18)	(12,905)	(13,337)	(9,391)
Payments on long-term incentive plans	(490)	(1,084)	(490)	(2,702)	(5,670)
Non-routine project costs	(394)	(1,719)	(3,103)	(5,111)	(684)
Impact of foreign exchange on cash	(424)	1,406	(628)	2,045	(5,092)
Change in cash flows for the period	$ 64	$ 1,853	$ (1,417)	$ 16,815	$ (25,771)

1. 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 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 regardless of the timing of the related borrowing.

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 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.

The calculation of adjusted EBITDA attributable to shareholders to debt (net of unamortized deferred financing charges) for the rolling twelve months ended March 30, 2019, December 31, 2018, March 31, 2018 and April 1, 2017 is as follows:

In 000's of Canadian dollars Rolling 12 months ended		**March 30 2019**		December 31 2018		March 31 2018		April 1 2017
Adjusted EBITDA[1] attributable to shareholders	**$**	**89,537**	$	88,175	$	88,289	$	99,483
Debt [2,3,4] (excluding non-controlling interest)		**450,822**		447,551		478,049		457,114
Less cash (excluding non-controlling interest)		**(31,815)**		(29,096)		(34,868)		(15,624)
Net debt	**$**	**419,007**	$	418,455	$	443,181	$	441,490
Leverage		**4.7**		4.7		5.0		4.4

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

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

3 Debt at March 30, 2019 includes lease liabilities of $6.8 million recognized upon adoption of IFRS 16 effective January 1, 2019 and has been adjusted to include USD $200 million forward foreign exchange contract at an average contracted rate of 1.2844.

4 Debt is net of unamortized deferred financing charges of $8.7 million (December 31, 2018 - $9.2 million; March 31, 2018 - $10.0 million; April 1, 2017 - $1.3 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 March 30, 2019, March 31, 2018 and April 1, 2017 is as follows:

In (000's) of Canadian dollars		**March 30 2019**		March 31 2018		April 1 2017
Adjusted EBITDA[1]	$	**105,308**	$	107,940	$	121,841
Depreciation and amortization		**47,913**		44,901		41,186
Adjusted earnings before interest and taxes		**57,395**		63,039		80,655
Average quarterly total assets	$	**742,406**	$	785,398	$	745,880
		7.7%		8.0%		10.8%

[1] Refer to discussion on non-IFRS measures, definitions and reconciliations.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice to this effect. Management of Clearwater Seafoods Incorporated has prepared these condensed consolidated interim financial statements. Management has compiled the unaudited condensed consolidated interim Statement of Financial Position of Clearwater Seafoods Incorporated as at March 30, 2019 and the unaudited condensed consolidated interim Statements of Earnings (Loss), Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for the 13 weeks ended March 30, 2019 and March 31, 2018. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the March 30, 2019 and March 31, 2018 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		**March 30 2019**		December 31 2018
ASSETS				
Current assets				
Cash	**$**	**35,951**	$	35,887
Trade and other receivables		**75,449**		85,244
Inventories		**75,829**		70,115
Prepaids and other		**7,856**		7,357
Derivative financial instruments (Note 5)		**2,800**		1,222
		197,885		199,825
Non-current assets				
Long-term receivables		**6,574**		4,970
Derivative financial instruments (Note 5)		**6,940**		12,671
Other assets		**134**		147
Property, plant and equipment		**249,563**		246,117
Investment in equity investee		**10,465**		9,382
Deferred tax assets		**15,436**		14,266
Intangible assets		**190,586**		191,422
Goodwill		**48,621**		48,623
		528,319		527,598
TOTAL ASSETS	**$**	**726,204**	$	727,423
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**76,634**	$	70,507
Income taxes payable		**1,219**		1,661
Current portion of long-term debt (Note 6)		**24,464**		23,269
Derivative financial instruments (Note 5)		**3,279**		9,966
		105,596		105,403
Non-current liabilities				
Long-term debt (Note 6)		**436,444**		440,148
Derivative financial instruments (Note 5)		**83**		497
Other long-term liabilities		**15**		323
Deferred tax liabilities		**17,032**		17,832
		453,574		458,800
SHAREHOLDERS' EQUITY				
Share capital (Note 7)	**$**	**215,605**	$	215,506
Contributed surplus		**4,300**		4,218
Retained earnings (deficit)		**(33,812)**		(38,848)
Accumulated comprehensive loss ("ACL")		**(37,265)**		(36,053)
		148,828		144,823
Non-controlling interest		**18,206**		18,397
		167,034		163,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**726,204**	$	727,423

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		March 30 2019		March 31 2018
Sales	$	**120,083**	$	120,072
Cost of goods sold		**98,532**		101,613
Gross margin		**21,551**		18,459
Operating expenses (Note 8)				
Administrative and selling costs		**13,507**		11,652
Restructuring costs		**-**		482
Net finance costs (Note 6 (f))		**7,811**		7,528
(Gains) losses on derivative financial instruments (Note 5 (c))		**(9,235)**		5,834
Foreign exchange (gains) losses on long-term debt and working capital (Note 5 (e))		**(129)**		3,570
Other (income) expense (Note 9)		**(625)**		(990)
Research and development		**74**		176
		11,403		28,252
Earnings (loss) before income taxes		**10,148**		(9,793)
Income tax (recovery) expense		**(636)**		406
Earnings (loss) for the period	$	**10,784**	$	(10,199)
Earnings (loss) attributable to:				
Non-controlling interest	$	**2,506**	$	3,559
Shareholders of Clearwater		**8,278**		(13,758)
	$	**10,784**	$	(10,199)
Basic earnings (loss) per share (Note 10)	$	**0.13**	$	(0.22)
Diluted earnings (loss) per share (Note 10)	$	**0.13**	$	(0.22)

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	March 30 2019	March 31 2018
Earnings (loss) for the period	**$ 10,784**	$ (10,199)
Comprehensive income (loss)		
Items that may be reclassified subsequently to income (loss):		
Foreign currency translation differences of foreign operations	**(265)**	10,405
Cash flow hedges - effective portion of change in fair value, net of tax (Note 5 (d))	**(892)**	914
Cash flow hedges - reclassified to earnings, net of tax (Note 5 (d))	**(76)**	(50)
	(1,233)	11,269
Comprehensive income (loss) for the period	**$ 9,551**	$ 1,070
Comprehensive income (loss) attributable to:		
Non-controlling interest	**$ 2,485**	$ 3,537
Shareholders of Clearwater	**7,066**	(2,467)
	$ 9,551	$ 1,070

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)

			Accumulated comprehensive income (loss)				
	Common shares	Contributed surplus	Cash flow hedge	Cumulative translation account	Retained earnings (deficit)	Non-controlling interest	Total
Balance at January 1, 2018	**$ 210,860**	**$ 3,021**	**$ (1,189)**	**$ (38,541)**	**$ (8,722)**	**$ 17,109**	**$ 182,538**
Comprehensive income (loss) for the period	-	-	864	10,427	(13,758)	3,537	1,070
Transactions recorded directly in equity							
Share-based compensation	95	124	-	-	-	-	219
Distributions to non-controlling interest	-	-	-	-	-	(3,233)	(3,233)
Dividends declared on common shares	-	-	-	-	(3,197)	-	(3,197)
Total transactions with owners	95	124	-	-	(3,197)	(3,233)	(6,211)
Balance at March 31, 2018	**$ 210,955**	**$ 3,145**	**$ (325)**	**$ (28,114)**	**$ (25,677)**	**$ 17,413**	**$ 177,397**
Comprehensive income (loss) for the period	-	-	2,344	(9,867)	(2,446)	8,713	(1,256)
Transactions recorded directly in equity							
Share-based compensation	3	1,073	-	-	-	-	1,076
Distributions to non-controlling interest	-	-	-	-	-	(7,583)	(7,583)
Dividends declared on common shares	-	-	-	-	(9,650)	-	(9,650)
Common shares issued under DRIP	4,548						4,548
Acquisition of non-controlling interest	-	-	-	(91)	(1,075)	(146)	(1,312)
Total transactions with owners	4,551	1,073	-	(91)	(10,725)	(7,729)	(12,921)
Balance at December 31, 2018	**$ 215,506**	**$ 4,218**	**$ 2,019**	**$ (38,072)**	**$ (38,848)**	**$ 18,397**	**$ 163,220**
Comprehensive income (loss) for the period	**-**	**-**	**(968)**	**(244)**	**8,278**	**2,485**	**9,551**
Transactions recorded directly in equity							
Share-based compensation	**99**	**82**	**-**	**-**	**-**	**-**	**181**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(2,676)**	**(2,676)**
Dividends declared on common shares	**-**	**-**	**-**	**-**	**(3,242)**	**-**	**(3,242)**
Total transactions with owners	**99**	**82**	**-**	**-**	**(3,242)**	**(2,676)**	**(5,737)**
Balance at March 30, 2019	**$ 215,605**	**$ 4,300**	**$ 1,051**	**$ (38,316)**	**$ (33,812)**	**$ 18,206**	**$ 167,034**

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		March 30 2019		March 31 2018
Operating				
Earnings (loss) for the period	**$**	**10,784**	$	(10,199)
Adjustments for:				
Depreciation and amortization		**10,036**		10,967
Accretion on long-term debt		**436**		404
Amortization of deferred financing costs		**312**		462
Net unrealized foreign exchange (gains) losses on financial assets and liabilities		**(11,422)**		15,387
Deferred tax expense (recovery)		**(1,541)**		(1,545)
Share-based compensation		**126**		(906)
(Gain) loss on disposal of property, plant, and equipment and other assets		**125**		-
(Earnings) loss from equity investee		**(1,083)**		(252)
Foreign exchange and other		**440**		(1,480)
Cash from operating activities before changes in working capital		**8,213**		12,838
Change in non-cash operating working capital (Note 13)		**4,099**		1,996
Cash from (used in) operating activities	**$**	**12,312**	$	14,834
Financing				
Repayment of long-term debt		**(101)**		(101)
Net (repayment of) proceeds from revolving credit facility		**(2,618)**		(5,217)
Repayment of lease liabilities		**(351)**		-
Net distributions paid to non-controlling interest		**(2,780)**		(3,244)
Advances to minority partners		**(11)**		(18)
Cash from (used in) financing activities	**$**	**(5,861)**	$	(8,580)
Investing				
Purchase of property, plant and equipment		**(6,575)**		(5,767)
Proceeds on disposal of property, plant and equipment		**1,227**		-
Purchase of other assets		**(14)**		-
Net advances in long-term receivables		**(601)**		(40)
Cash from (used in) investing activities	**$**	**(5,963)**	$	(5,807)
Effect of foreign exchange rate changes on cash	**$**	**(424)**	$	1,406
Increase (decrease) in cash		**64**		1,853
Cash, beginning of period		**35,887**		35,514
Cash, end of period	**$**	**35,951**	$	37,367
Supplemental disclosure of operating cash flows				
Cash interest paid		**(1,498)**		(1,487)
Cash income taxes paid		**(1,335)**		(836)

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

The Condensed Consolidated Interim Financial Statements of Clearwater as at March 30, 2019 and December 31, 2018 and for the 13 weeks ended March 30, 2019 and March 31, 2018 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") and should be read in conjunction with the annual audited financial statements and the accompanying notes for the year ended December 31, 2018 (included in Clearwater's 2018 Annual Report) which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by Clearwater's Board of Directors on May 14, 2019.

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, 2018 financial statements, except as described below.

(b) Leases

At the inception of a contract, Clearwater assesses whether a contract is or contains a lease based on whether the contract conveys the right to use an asset for a period of time in exchange for consideration. Contracts identified as leases are recognized as a right-of-use asset within property, plant and equipment and corresponding lease liability within long-term debt on the statement of financial position on the commencement date of the lease.

The right-of-use asset is initially measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made before the commencement date, less any lease incentives received, any initial direct costs and restoration costs expected to be incurred. The right-of-use asset is subsequently amortized on a straight-line basis over the lease-term.

The corresponding lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, Clearwater's incremental borrowing rate. Lease payments include any fixed payments, variable payments that are dependent on an index or a rate in effect at the time of commencement, amounts expected to be paid under residual value guarantees, and the exercise of a purchase option that are reasonably expected to be exercised. The lease liability is subsequently measured at amortized cost using the effective interest method.

Clearwater has elected to apply the following practical expedients in accounting for leases:

i) Separable components

Clearwater has elected not to separate non-lease components from lease components and account for each lease component and associated non-lease component as a single lease component.

ii) Short-term and leases of assets of low-value

For each class of underlying asset, Clearwater has elected to recognize the exemption for leases with a term of 12-months or less. The recognition exemption for leases of assets of low-value has been applied on a lease-by-lease basis and is comprised of office equipment and miscellaneous plant and vessel equipment. Such items are charged to cost of goods sold and operating expenses on a straight-line basis over the term of the agreement as payments are made.

Use of estimates
Clearwater uses estimation and judgement in determining the incremental borrowing rate used to measure the lease liability, specific to the asset, underlying currency and geographic location.

Judgements made in relation to accounting policies applied
Clearwater applies judgement in determining whether the contract contains an identified asset, whether we have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options.

3. CHANGES IN ACCOUNTING POLICIES

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with the applicable transitional provisions.

IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 which supersedes the previous lease accounting standards IAS 17 – Leases and IFRIC 4 – Determining whether an arrangement contains a lease.

The 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.

The Company has elected to apply the modified retrospective approach on transition. The modified retrospective approach does not require restatement of prior period financial information.

Leases accounted for as finance leases under IAS 17 have been reclassified to right-of-use assets within property, plant and equipment and lease liabilities from other long-term liabilities.

The following is a reconciliation of operating lease commitments as at December 31, 2018 under IAS 17, to the lease liabilities under IFRS 16 on January 1, 2019.

Operating lease commitments, as disclosed December 31, 2018	$	**10,501**
Contracts reassessed upon transition[1]		**(3,004)**
Finance lease liabilities under IAS 17		**308**
Net lease liability commitments		**7,805**
Discounted		**(712)**
Lease liabilities as at January 1, 2019	**$**	**7,093**

[1] Contracts reassessed upon transition include contracts identified as service or quota agreements, and the amount of additional lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at December 31, 2018.

The lease liability represents the present value of remaining lease payments discounted using the incremental borrowing rate dependent on the currency, term and underlying asset of the agreement.

The associated right-of-use assets were recognized in property, plant and equipment at an amount equal to the lease liability at January 1, 2019, with no impact to retained earnings.

4. 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. 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.

5. FINANCIAL INSTRUMENTS

Clearwater classifies its financial assets and financial liabilities into three categories being subsequently measured at 1) fair value through profit or loss ("FVTPL"); 2) amortized cost; or 3) fair value through other comprehensive income ("FVTOCI"). The classification for financial assets depends on the Company's business model and management of the financial asset and the contractual terms of the cash flows.

Derivatives are classified as FVTPL unless they are designated as hedges. Clearwater has not designated any financial liabilities to be recognized as FVTPL.

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

March 30, 2019	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 35,951	$ -	$ -	**$ 35,951**	**$ 35,951**
Trade and other receivables	-	-	75,449	**75,449**	**75,449**
Long-term receivables	-	-	6,574	**6,574**	**6,574**
Derivative financial instruments	7,936	1,804	-	**9,740**	**9,740**
	$ 43,887	$ 1,804	$ 82,023	**$ 127,714**	**$ 127,714**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (76,634)	**$ (76,634)**	**$ (76,634)**
Long-term debt[2]	(3,597)	-	(457,311)	**(460,908)**	**(460,800)**
Derivative financial instruments	(3,353)	(9)	-	**(3,362)**	**(3,362)**
	$ (6,950)	$ (9)	$ (533,945)	**$ (540,904)**	**$ (540,796)**

[1] Trade and other payables includes share-based compensation of $2.9 million which is not recorded at amortized cost.

[2] Long-term debt includes lease liabilities of $6.8 million and is recorded at amortized cost.

December 31, 2018	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 35,887	$ -	$ -	**$ 35,887**	**$ 35,887**
Trade and other receivables	-	-	85,244	**85,244**	**85,244**
Long-term receivables	-	-	4,970	**4,970**	**4,970**
Derivative financial instruments	10,815	3,078	-	**13,893**	**13,893**
	$ 46,702	$ 3,078	$ 90,214	**$ 139,994**	**$ 139,994**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (70,507)	**$ (70,507)**	**$ (70,507)**
Long-term debt	(3,513)	-	(459,904)	**(463,417)**	**(450,098)**
Derivative financial instruments	(10,463)	-	-	**(10,463)**	**(10,463)**
	$ (13,976)	$ -	$ (530,411)	**$ (544,387)**	**$ (531,068)**

[1] Trade and other payables includes share-based compensation of $3.5 million which is not recorded at amortized cost.

Fair value of financial instruments carried at amortized cost:

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

The estimated fair value of Clearwater's long-term debt for which carrying value did not approximate fair value at March 30, 2019 was $360.7 million (December 31, 2018 - $354.3 million) and the carrying value was $360.9 million (December 31, 2018 - $367.7 million). The fair value of long-term debt has been classified as Level 2 in the fair value hierarchy (described below) and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

(a) Fair value hierarchy

Assets and liabilities carried at fair value are 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 and fair value hedging instruments using the fair value hierarchy:

March 30, 2019	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 35,951	$ -	$ -
Derivative financial instruments	-	9,740	-
	$ 35,951	$ 9,740	$ -
Financial Liabilities:			
Derivative financial instruments	-	3,362	-
Earnout liability	-	-	3,597
	$ -	$ 3,362	$ 3,597

December 31, 2018	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 35,887	$ -	$ -
Derivative financial instruments		13,893	
	$ 35,887	$ 13,893	$ -
Financial Liabilities:			
Derivative financial instruments	-	10,463	-
Earnout liability	-	-	3,513
	$ -	$ 10,463	$ 3,513

There were no transfers between levels during the periods ended March 30, 2019 and December 31, 2018.

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

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

The Earnout liability 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. Refer to detail in the annual financial statements for a description of the valuation method of the Earnout liability.

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

(b) Derivative 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 USD denominated interest payments as hedging instruments in a hedging accounting, qualifying hedging relationship (cash flow hedge). Changes in the fair value of derivatives in a qualifying hedging relationship are recognized in comprehensive income until the hedged risk affects income. The Company has elected not to use hedge accounting on the remaining derivative instruments and consequently, changes in their fair value are recorded in the consolidated statement of earnings (loss).

Clearwater has forward contracts maturing each month until June 2020 and forward contracts related to the USD Notes maturing May 2022 (Note 6). At March 30, 2019 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 a current asset position					
Derivatives designated as hedging instruments					
USD	**12,031**	**1.278**	**4**	**$**	**641**
Derivatives not designated as hedging instruments					
Euro	**32,545**	**1.554**	**6**		**1,323**
USD	**7,820**	**1.334**	**6**		**34**
Yen	**794,600**	**0.0123**	**5**		**138**
Euro - GBP	**25,520**	**0.881**	**5**		**664**
				$	**2,800**

Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	**25,781**	**1.271**	**25**	**$**	**1,163**
Derivatives not designated as hedging instruments					
Euro	**5,640**	**1.562**	**15**		**132**
USD	**125,000**	**1.267**	**37**		**5,439**
Yen	**227,100**	**0.0125**	**15**		**38**
Euro - GBP	**3,190**	**0.904**	**14**		**168**
					6,940
Total contracts in an asset position				**$**	**9,740**
Contracts in a current liability position					
Derivatives not designated as hedging instruments					
USD	**95,329**	**1.298**	**5**		**(2,960)**
Yen	**2,266,900**	**0.0120**	**6**		**(283)**
Euro - GBP	**4,950**	**0.863**	**7**		**(36)**
				$	**(3,279)**
Contracts in a non-current liability position					
Derivatives designated as hedging instruments					
USD	**8,594**	**1.319**	**25**	**$**	**(9)**
Derivatives not designated as hedging instruments					
USD	**75,000**	**1.314**	**37**		**(33)**
Yen	**216,800**	**0.0122**	**15**		**(27)**
Euro - GBP	**1,520**	**0.870**	**16**		**(14)**
					(83)
Total contracts in a liability position				**$**	**(3,362)**

At December 31, 2018, 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 a current asset position					
Derivatives designated as hedging instruments					
USD	13,750	1.284	7	$	1,003
Derivatives not designated as hedging instruments					
Euro	8,950	1.594	5		126
Euro - GBP	13,540	0.911	8		93
				$	1,222
Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	34,375	1.283	28	$	2,075
USD	200,000	1.284	40		10,584
Euro - GBP	2,120	0.918	15		12
					12,671
Total contracts in an asset position				$	13,893
Contracts in a current liability position					
Derivatives not designated as hedging instruments					
Euro	24,060	1.550	6		(770)
USD	121,723	1.298	6		(7,204)
Yen	2,928,300	0.0120	6		(1,631)
Euro - GBP	14,890	0.889	5		(361)
				$	(9,966)
Contracts in a non-current liability position					
Derivatives not designated as hedging instruments					
Euro	5,620	1.574	15		(207)
Yen	396,400	0.0121	14		(242)
Euro - GBP	1,870	0.900	15		(48)
					(497)
Total contracts in a liability position				**$**	(10,463)

(c) (Gains) losses on derivative financial instruments

13 weeks ended		**March 30 2019**		March 31 2018
Realized (gain) loss				
Forward foreign exchange contracts	**$**	**(627)**	$	(1,297)
Unrealized (gain) loss				
Forward foreign exchange contracts		**(8,608)**		7,131
	$	**(9,235)**	$	5,834

(d) Gains (losses) on derivatives designated as hedging instruments

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 amounts recognized in the Consolidated Statements of Comprehensive Income (Loss), the amounts reclassified from Accumulated Comprehensive Income (Loss) ("ACL") within equity and the amount recorded in the Consolidated Statements of Earnings (Loss):

	Gain (loss) recognized in ACL		(Gain) loss reclassified from ACL to Net Finance Costs		Ineffectiveness recognized in Net Finance Costs	
	13 weeks ended		13 weeks ended		13 weeks ended	
Derivatives in cash flow hedging relationship	**March 30 2019**	March 31 2018	**March 30 2019**	March 31 2018	**March 30 2019**	March 31 2018
Forward foreign exchange contracts	**(1,283)**	1,315	**(109)**	(72)	-	-
Income tax recovery (expense)	**391**	(401)	**33**	22	-	-
Net gain (loss) **$**	**(892)**	914	**(76)**	(50)	-	-

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

13 weeks ended		**March 30 2019**		March 31 2018
Realized (gain) loss				
Long-term debt and working capital	**$**	**683**	$	(3,389)
Unrealized (gain) loss				
Long-term debt and working capital		**(5,990)**		9,528
Forward exchange contracts		**5,178**		(2,569)
		(812)		6,959
	$	**(129)**	$	3,570

6. LONG-TERM DEBT

As at		**March 30 2019**		December 31 2018
Senior debt (a):				
USD senior unsecured notes, due May 2025 (USD $250,000)	**$**	**327,146**	$	333,955
Term loan B, due May 2022		**34,093**		34,177
Revolving credit facility, due May 2022		**55,565**		58,019
Deferred obligation (b)		**16,812**		16,504
Earnout liability (b)		**3,597**		3,513
Term loan, due June 2019 (c)		**13,348**		13,637
Term loan, due in 2091 (d)		**3,500**		3,500
Lease liabilities (e)		**6,750**		-
Other loans		**97**		112
Total Debt		**460,908**		463,417
Less: current portion [1]		**(24,464)**		(23,269)
Total Long-term Debt	**$**	**436,444**	$	440,148

[1]Current portion of long-term debt includes scheduled payments related to the Senior debt, Term loan due June 2019, scheduled payments on lease liabilities, Deferred obligation payments, less accretion during the period and minimum payment related to the Earnout liability.

(a) Senior debt

In April 2017 the Company issued USD $250 million of 6.875% Senior Notes due May 2025 (the "Senior Notes"). Concurrent with issuing the Senior Notes, Clearwater entered into new senior secured credit facilities in an aggregate availability 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").

Financing costs related to the Senior Notes and Senior Secured Credit Facilities of $12.0 million have been deferred and amortized into interest using the effective interest method over the term of the debt.

On March 29, 2018, Clearwater amended the terms of the secured credit facility agreement to temporarily increase the secured indebtedness to EBITDA covenant requirement for the duration of 2018 and obtained a reduction in the availability on the revolving credit facility from $300 million to $200 million. The transaction costs of $0.2 million were added to deferred financing costs and will be amortized over the remaining term of the credit facility using the effective interest rate.

As at March 30, 2019, Senior debt consists of Senior Notes, a Term Loan B facility and revolving credit facility.

Senior Notes, due 2025 – The USD $250.0 million (CDN $333.7 million) Senior Notes have a coupon rate of 6.875%, with coupon payments payable in semi-annual installments of USD $8.6 million (CDN $11.7 million) in May and November each year. The balance is shown net of unamortized deferred financing charges of USD $5.1 million (CDN $6.6 million) which resulted in an effective interest rate of 7.20%.

Refer to Note 5 for details 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 Senior Notes.

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 March 30, 2019 was CDN $34.3 million. The loan is repayable in quarterly installments totalling $0.35 million per year, with the balance due at maturity in May 2022. The facility bears interest ranging from banker's acceptance rate ("BA rate") 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 $0.2 million resulting in an effective interest rate of 4.83%.

Revolving credit facility, due 2022 – The CDN $200 million revolving credit facility can be drawn in CDN, USD, EUR, YEN or GBP. As at March 30, 2019 the balances were drawn in CDN and bear interest at the BA rate 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 $1.9 million, resulting in effective rates of 5.76% for CDN balances. The availability of this facility, subject to financial covenants, is further reduced by the term loan described in note (c). The availability as at March 30, 2019 was approximately CDN $57.9 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.

The Revolving Credit Facility and Term Loan B, due 2022, are secured by a first charge on cash, trade and other receivables, inventories, marine vessels, licences and quotas, and Clearwater's investments in certain subsidiaries.

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. No principal repayment was required under this condition in 2018 or 2019.

(b) Deferred Obligation and Earnout Liability

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 March 30, 2019 is £10.5 million (CDN $18.3 million) (December 31, 2018 - £10.5 million (CDN $18.3 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 - at acquisition	£	20,925	$	42,388
Accretion		4,253		7,442
Principal repayments		(15,693)		(26,442)
Effect of movement in foreign exchange		-		(6,884)
Balance - December 31, 2018	£	9,485	$	16,504
Accretion - 13 weeks ended March 30, 2019		**177**		**312**
Effect of movement in foreign exchange		**-**		**(4)**
Balance - March 30, 2019	£	**9,662**	**$**	**16,812**

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. Beginning in 2017, Clearwater had the right to exercise the payout of 20% of the Deferred Obligation annually. The percentage of the Deferred Obligation remaining unpaid will impact the fair value of the future performance component of the additional consideration, the Earnout liability.

The holders of the Earn Out Shares have elected to be paid 20% of the outstanding Deferred Obligation in October 2016 through 2018. As a result, annual payments of £5.2 million have been made each year.

(ii) Earnout liability

The Earnout liability is unsecured additional consideration to be paid dependent upon the 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 March 30, 2019 is £2.1 million (CDN - $3.6 million) (December 31, 2018 - £2.0 million, CDN - $3.5 million) based on forecast earnings and probability assessments. The actual Earnout payments are being paid over a five-year period ending 2021.

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).

The Earnout liability is recorded at fair value on the consolidated statement of financial position at each reporting period until paid, with changes in the estimated fair value being recorded as a component of other expense on the Consolidated Statement of Earnings (Loss).

The following is a reconciliation of the Earnout liability:

		GBP		CDN
Balance - at acquisition	£	6,100	$	12,357
Fair value adjustment		(2,588)		(4,464)
Payment		(1,493)		(2,687)
Effect of movement in foreign exchange		-		(1,693)
Balance - December 31, 2018	£	2,019	$	3,513
Fair value adjustment		**48**		**85**
Effect of movement in foreign exchange		**-**		**(1)**
Balance - March 30, 2019	£	**2,067**	**$**	**3,597**

(c) Term Loan, due 2019

The principal outstanding as at March 30, 2019 was USD $10.0 million (CDN $13.3 million) (December 31, 2018 - USD$10.0 million; CDN $13.6 million). The loan is held through a Clearwater subsidiary. The loan was renewed in June 2018, is non-amortizing, repayable at maturity in June 2019 and bears interest payable monthly at 5.5% per annum.

(d) Term Loan, due 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.

(e) Lease liabilities

The Company currently leases office space, machinery, wharves, equipment and vehicles. A lease liability has been recognized equal to the present value of remaining lease payments discounted at the interest rate implicit in the lease, or if that rate cannot be readily determined, Clearwater's incremental borrowing rate.

(f) Net finance costs

		March 30		March 31
13 weeks ended		**2019**		2018
Interest expense on financial liabilities	$	**7,063**	$	6,662
Amortization of deferred financing charges and accretion		**436**		404
		7,499		7,066
Accretion on deferred consideration		**312**		462
	$	**7,811**	$	7,528

7. SHARE CAPITAL

Clearwater is authorized to issue an unlimited number of common shares.

Share capital movement:

As at		**March 30 2019**		December 31 2018
Share capital:	#	**$**	#	$
Balance at January 1	**64,841,993**	**215,506**	63,934,698	210,860
Shares issued under share-based compensation plans	**19,240**	**99**	21,185	98
Shares issued under dividend reinvestment plan	**-**	**-**	886,110	4,548
Closing balance	**64,861,233**	**215,605**	64,841,993	215,506

Dividend Reinvestment Plan

On February 15, 2018, Clearwater approved a Dividend Reinvestment Plan ("DRIP") to provide shareholders with the option to have the cash dividends declared on the common shares of Clearwater reinvested automatically back into additional shares. Shares may be either newly issued from treasury or purchased on the open market. Clearwater may from time to time, in its sole discretion, offer a discount of up to 5% of the average market price for shares purchased from treasury. Clearwater will provide a discount of 3% from the average market price for shares purchased under the plan until further notice.

Clearwater reserved 2.5 million common shares (March 30, 2019 – 2.5 million remaining) for issuance under the share-based compensation plans and 3.0 million (March 30, 2019 – 2.1 million remaining) under the DRIP.

Subsequent to the end of the quarter, on May 14, 2019 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on June 6, 2019 to shareholders of record as of May 23, 2019 for a total of approximately $3.2 million (excluding the impact of the DRIP).

8. OPERATING EXPENSES

13 weeks ended		**March 30 2019**		March 31 2018
Salaries and benefits	**$**	**10,241**	$	9,612
Share-based incentive compensation		**126**		(906)
Employee compensation		**10,367**		8,706
Consulting and professional fees		**3,401**		2,898
Other		**1,559**		1,260
Selling costs		**603**		565
Travel		**670**		614
Occupancy		**337**		419
Donations		**63**		400
Total administrative and selling costs before allocation		**6,633**		6,156
Allocation to cost of goods sold		**(3,493)**		(3,210)
Total administrative and selling costs		**13,507**		11,652
Restructuring costs		**-**		482
Operating expenses	**$**	**13,507**	$	12,134

9. OTHER (INCOME) EXPENSE

13 weeks ended		**March 30 2019**		March 31 2018
Share of earnings of equity-accounted investee	**$**	**(1,083)**	$	(252)
Fair value adjustment on earn-out liability		**85**		(387)
Other (income) fees		**(132)**		(231)
Royalties, interest income and other fees		**405**		(272)
Acquisition and project related costs		**100**		152
Other (income) expense	**$**	**(625)**	$	(990)

10. 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:

13 weeks ended		**March 30 2019**		March 31 2018
Earnings (loss) attributable to shareholders - basic and diluted	**$**	**8,278**	$	(13,758)
Weighted average number of shares outstanding - basic and diluted		**64,842,209**		63,935,153
Adjustment for share-based compensation plan shares		**60,064**		-
Weighted average number of shares outstanding - diluted		**64,902,273**		63,935,153
Earnings per share				
Basic	**$**	**0.13**	$	(0.22)
Diluted	**$**	**0.13**	$	(0.22)

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

11. SEGMENT INFORMATION

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

(a) Sales by Species

13 weeks ended		**March 30 2019**		**March 31 2018**
Scallops	**$**	**36,700**		**37,140**
Coldwater shrimp		**21,360**		**20,817**
Lobster		**19,182**		**21,071**
Clams		**24,608**		**24,112**
Langoustine		**10,418**		**8,589**
Crab		**1,916**		**750**
Whelk		**4,484**		**5,331**
Ground fish and other shellfish		**1,415**		**2,262**
	$	**120,083**	$	**120,072**

(b) Sales by Geographic Region of the Customer

13 weeks ended		**March 30 2019**		**March 31 2018**
France	**$**	**18,233**	$	19,354
Scandinavia		**5,404**		10,399
UK		**6,049**		5,331
Other		**12,184**		11,027
Europe		**41,870**		46,111
China		**32,178**		21,106
Japan		**14,230**		18,229
Other		**6,796**		7,725
Asia		**53,204**		47,060
United States		**17,289**		17,901
Canada		**7,714**		8,992
North America		**25,003**		26,893
Other		**6**		8
	$	**120,083**	$	120,072

(c) Non-current Assets by Geographic Region

As at		**March 30 2019**		December 31 2018
Property, plant and equipment, licenses, fishing rights and goodwill				
Canada	**$**	**303,935**	$	306,565
Argentina		**10,139**		10,844
Scotland		**174,182**		168,653
Other		**514**		100
	$	**488,770**	$	486,162

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

Changes in operating working capital

13 weeks ended		**March 30 2019**		March 31 2018
(Increase) decrease in trade and other receivables	$	**6,823**	$	18,611
(Increase) decrease in inventories[1]		**(5,150)**		(1,529)
(Increase) decrease in prepaids and other		**(588)**		(3,908)
Increase (decrease) in trade and other payables		**3,445**		(12,294)
Increase (decrease) in income taxes payable		**(431)**		1,116
	$	**4,099**	$	1,996

[1](Increase) decrease in inventory for 2018 has been restated to reflect the impact of depreciation recorded within inventory to be consistent with the current period. See Note 14.

Changes in liabilities arising from financing activities		**March 30 2019**		March 31 2018
Current and long-term debt - beginning of period	**$**	**463,417**	$	473,173
Scheduled repayments of long-term debt		**(101)**		(101)
Repayment of lease liabilities		**(351)**		-
Net proceeds from revolving credit facility, net of financing costs		**(2,618)**		(5,217)
Realized foreign exchange on settlement of long-term debt		**-**		-
Accretion of deferred obligation		**312**		462
Fair market value adjustment on earnout liability		**85**		(387)
Amortization of deferred financing costs		**436**		404
Foreign exchange (gain) loss on long-term debt		**(7,365)**		10,641
Lease liability[1]		**7,093**		-
Current and long-term debt - end of period	**$**	**460,908**	$	478,975

[1]Upon transition to IFRS 16, the Company recognized a lease liability representing the present value of the remaining lease payments and reclassified finance leases previously classified in Other liabilities to Long-term debt.

14. COMPARATIVE INFORMATION

These Condensed Consolidated Interim Financial Statements contain certain reclassifications of prior year amounts to be consistent with the current period presentation. Significant reclassifications are discussed below.

In the Condensed Consolidated Interim Statement of Cash Flows, depreciation and amortization recorded to inventory has been reclassified from depreciation and amortization to change in non-cash operating working capital. Adjustments for depreciation and amortization reflect amounts recorded within cost of sales and operating expenses in the period. This change in presentation has no impact on cash from operating activities.