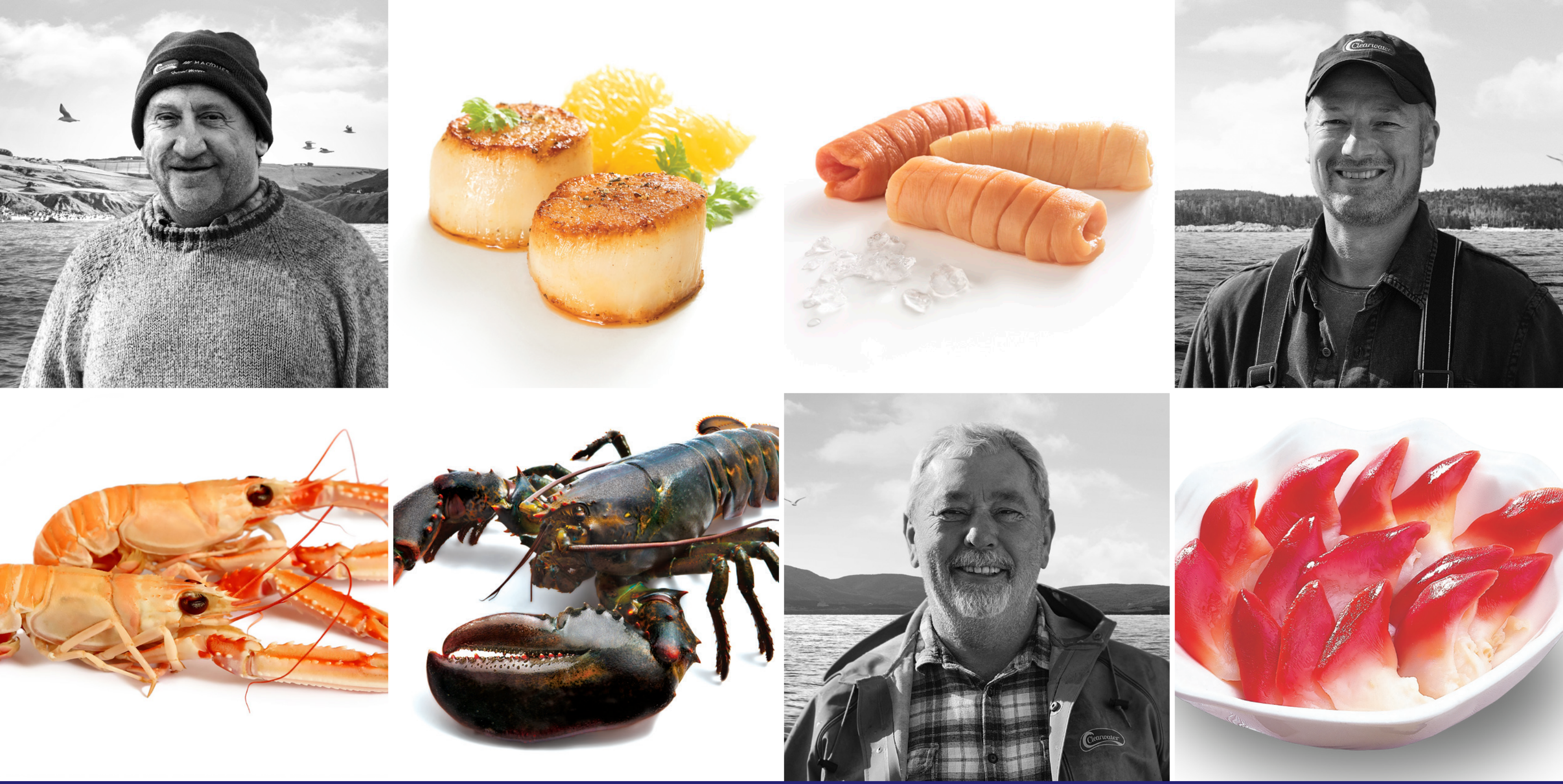
Clearwater®

2019 SECOND QUARTER REPORT



remarkable seafood, responsible choice

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LETTER TO SHAREHOLDERS

- Second quarter sales and adjusted EBITDA[1] were $153.9 million and $30.3 million respectively versus $148.1 million and $30.5 million respectively in the prior year.

- Year-to-date sales and adjusted EBITDA were $274.0 million and $50.3 million respectively compared to $268.2 million and $49.6 million in the prior year.

- Gross margin as a percentage of sales expanded to 19.4% in the first half of 2019 compared to 17.5% in the prior year.

- The Board of Directors declared a dividend of $0.05 per share payable on September 3, 2019 to shareholders of record as of August 19, 2019.

Second Quarter Results

Sales for second quarter and year-to-date 2019 grew 4% and 2% respectively, as compared to the same periods of 2018. Strong harvest conditions, landings and available supply in scallops, crab and langoustines were partially offset by competitive market conditions across scallop species and FAS shrimp. Timing of FAS shrimp and turbot landings had a favourable impact on second quarter sales. Scallop prices remained consistent with the fourth quarter of 2018.

Adjusted EBITDA for second quarter and year-to-date 2019 was $30.3 million and $50.3 million respectively, as compared to $30.5 million and $49.6 million in 2018. Gross margin as a percentage of sales increased in the second quarter and year-to-date 2019 due to strong harvest conditions and favourable mix in scallops. Steady market demand for lobster was partially offset by lower selling prices, consistent with seasonal expectations. Overall, access to supply and customer demand in other procured species remained strong as compared to the prior year.

Sales growth continued in Asia representing 43% of year-to-date sales as compared to 39% in the same period of 2018 following the expansion of distribution channels.

Average foreign exchange rates realized on sales for the second quarter and year-to-date 2019 had a net positive impact to sales of $0.9 million and $2.1 million respectively, as compared to the same periods of the prior year.

Cash used in operations and free cash outflows were $35.6 million and $48.0 million, respectively, in the second quarter of 2019 versus $5.4 million and $16.0 million in the prior year reflecting strong harvest conditions and increased access to supply of procured species.

Debt and Leverage

Leverage for second quarter 2019 was 5.2x compared to 5.1x for the same period of 2018. Leverage increased slightly as compared to the second quarter of 2018 as adjusted EBITDA attributable to shareholders decreased modestly and net debt increased due to higher inventory following strong fishing conditions across all species.

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 August 7, 2019, the Board of Directors approved and declared a dividend of $0.05 per share payable on September 3, 2019 to shareholders of record as of August 19, 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 second half of 2019, we expect top and bottom-line growth across multiple species and regions, led by Asia-Pacific. Growth will be driven by the strong harvest conditions and improved access to supply for procured species experienced in the first half of the year along with continued margin expansion.

Strong harvest conditions and improved access to supply for procured species enabled investment in high quality inventory in the first half of the year. In the second half of 2019, this inventory will fuel expansion into new markets and distribution channels, along with new product offerings, like sea cucumber, cockle clams, whelk, and a full year offering of live crab.

In June 2019, Clearwater successfully entered the Canadian Sea Cucumber Fishery. Sea Cucumber is a traditional staple in the diets of many Asian consumers with Canadian Sea Cucumber recognized for its taste, texture, sustainability, traceability and food safety. In entering this fishery, Clearwater has leveraged its industry-leading and well-established sales capability, extensive distribution network, geographic proximity to the resource and technical expertise in value-added processing. Canadian Sea Cucumber is an abundant resource and we expect this new species to provide an attractive source of long-term incremental sales and profit.

Clearwater has access to the full clam total allowable catch for 2019. In the first half of 2019, Clearwater entered into a voluntary agreement forging a 50-year partnership with fourteen Indigenous communities providing long-term stable access to the arctic surf clam resource. Clearwater will continue to advance working relationships with Indigenous partners.

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, technology innovation 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 a 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
August 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective August 7, 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 second quarter news release.

This MD&A should be read in conjunction with the 2019 second 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 Asia-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. Clearwater also 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.

Second 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 new procured species.

   In June 2019, Clearwater successfully entered the Canadian Sea Cucumber Fishery. Canadian Sea Cucumber or *cucumaria frondosa* is a well-established seafood export to Asia and recognized for its taste, texture, sustainability, traceability and food safety. Clearwater has taken advantage of its industry-leading and well-established sales capability, extensive Asian customer distribution network, geographic proximity to the resource and technical expertise in value-added processing. Canadian Sea Cucumber is an abundant resource and we expect this new species to provide an attractive source of long-term incremental sales revenue and profit.

2. **Target profitable & growing markets, channels & customers** – Clearwater attended and sponsored the launch of the Canada China Business Council, Atlantic Chapter, strengthening Clearwater's business network with members that represent a wide range of sectors navigating Canada-China business, trade and investment.

   Global demand for shellfish continues to remain strong. Clearwater utilized existing channels and customers to launch sea cucumber in the second quarter of 2019. 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 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 Seafood Expo Global in Brussels and the Annual Sake Expo and Food Show in California where we promoted Arctic Surf and Cockle Clams along with a full range of Clearwater products.

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. Top and bottom-line growth were realized in the first half of 2019.

   Clearwater deployed state-of-the-art automated sorting and defect detection technology in scallop and clam, contributing to greater processing efficiencies, product quality and yield.

5. **Pursue and preserve the long-term sustainability of resources on land and sea** – 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 harvest efficiency while reducing impact on the ocean habitat and improving sustainability.

Although seafood currently ranks below other proteins in terms of greenhouse gas emissions per gram of protein, we are actively reducing our carbon footprint by advancing our company-wide sustainability framework to improve economic, environmental and social outcomes on land and sea.

On an annual basis, Clearwater, in collaboration with other industry participants, continues to undertake video monitoring research in the Canadian and Argentina sea scallop fishery adding to our understanding of resource dynamics and development of harvest strategies that support long-term sustainability. In the UK, we are participating in collaborative industry initiatives to advance science and management of UK shellfish fisheries such as the recent UK Scallop Management Conference.

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 for second quarter 2019 was 5.2x compared to 5.1x for the same period of 2018. Leverage increased slightly as compared to the second quarter of 2018 as adjusted EBITDA attributable to shareholders decreased modestly and net debt increased due to higher inventory following strong fishing conditions across all species.

- **Total allowable catch** – Following the Department of Fisheries ("DFO") announcement to cancel the process to issue a fourth clam licence 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 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.

  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, when launched. The partnership provides long-term stable access to supply to support Clearwater's existing infrastructure investments, grow our strategic business relationships with Indigenous partners, and supports Clearwater's commitment to diversity in the workplace while ensuring no job losses for existing employees.

- **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

		13 weeks ended				26 weeks ended		
		June 29		June 30		**June 29**		June 30
In 000's of Canadian dollars		**2019**		2018		**2019**		2018
Profitability								
Sales	**$**	**153,874**	$	148,142	**$**	**273,957**	$	268,214
Sales growth		**3.9%**		(4.0%)		**2.1%**		(5.1%)
Gross margin	**$**	**31,587**	$	28,605	**$**	**53,138**	$	47,065
Gross margin (as a % of sales)		**20.5%**		19.3%		**19.4%**		17.5%
Adjusted EBITDA[1,2]	**$**	**30,250**	$	30,501	**$**	**50,283**	$	49,615
Adjusted EBITDA[1,2] (as a % of sales)		**19.7%**		20.6%		**18.4%**		18.5%
Adjusted EBITDA attributable to shareholders[1,2]	**$**	**26,254**	$	26,147	**$**	**42,549**	$	41,080
Adjusted EBITDA attributable to shareholders[1,2] (as a % of sales)		**17.1%**		17.6%		**15.5%**		15.3%
Earnings (loss) attributable to shareholders	**$**	**8,011**	$	(923)	**$**	**16,289**	$	(14,681)
Basic earnings (loss) per share	**$**	**0.12**	$	(0.01)	**$**	**0.25**	$	(0.23)
Diluted earnings (loss) per share	**$**	**0.12**	$	(0.01)	**$**	**0.25**	$	(0.23)
Adjusted earnings (loss) attributable to shareholders[1,2]	**$**	**6,089**	$	6,980	**$**	**5,055**	$	7,324
Adjusted earnings (loss) per share	**$**	**0.09**	$	0.11	**$**	**0.08**	$	0.11
Cash Flows and Leverage								
Cash from (used in) operating activities	**$**	**(35,632)**	$	(5,426)	**$**	**(23,318)**	$	9,404
Cash from (used in) financing activities		**26,640**		3,979		**20,777**		(4,602)
Cash from (used in) investing activities		**(7,473)**		(7,961)		**(13,435)**		(13,767)
Free cash flows[1]	**$**	**(48,019)**	$	(15,952)	**$**	**(43,402)**	$	(6,324)
Leverage[1,3]		**5.2x**		5.1x		**5.2x**		5.1x
Returns								
Return on assets[1,4]		**8.0%**		8.2%		**8.0%**		8.2%
Total assets		**750,037**		769,909		**750,037**		769,909

[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 June 29, 2019 includes lease liabilities of $7.0 million recognized upon transition to IFRS 16, effective January 1, 2019.
[4] Return on assets is calculated as twelve months rolling adjusted earnings before interest and taxes to total average quarterly assets.

Second quarter key highlights

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

Profitability

Year-to-date sales and adjusted EBITDA grew 4% and 1%, respectively, as compared to the prior year. Second quarter sales grew 2% and adjusted EBITDA was $30.3 million as compared to $30.5 million in the same period of the prior year.

- Improvements in year-to-date 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 190 basis points from 17.5% in the prior year to 19.4% in the first half of 2019.
- Strong harvest conditions and favourable mix in scallops, combined with stabilization of markets for larger scallops was offset by softening demand for small scallop sizes in Europe. Sales prices for premium size scallops were consistent with the fourth quarter of 2018. Steady market demand for lobster was partially offset by lower selling prices, consistent with seasonal expectations. Sales volumes decreased as profitable opportunities were reduced by higher raw material costs.
- Overall access to supply and customer demand in other procured species remained strong as compared to the prior year.
- Sales growth continued in Asia representing 43% of year-to-date sales as compared to 39% in the same period of 2018 following the expansion of distribution channels.
- Earnings attributable to shareholders increased $8.9 million in the second quarter and $31.0 million year-to-date primarily due to unrealized foreign exchange gains on long-term debt.
- Adjusted earnings attributable to shareholders decreased $0.9 million and $2.3 million in the second quarter and year-to-date of 2019, respectively, as compared to the same periods in 2018, as a result of higher gross margin offset by realized foreign exchange losses on working capital and derivative contracts.

Cash flows and leverage

Cash used in operations increased $30.2 million in the second quarter and $32.7 million year-to-date, as compared to the same periods of 2018.

- Cash used in operations was higher than prior year, as EBITDA growth was offset by higher inventory following strong harvesting conditions for scallops, available supply of langoustines and a shift in timing of sales for smaller scallops to the second half of the year.
- Year-to-date capital expenditures were $13.9 million as compared to $14.0 million in the prior year.
- Leverage of 5.2x increased slightly as compared to the second quarter of 2018 as adjusted EBITDA attributable to shareholders decreased modestly and net debt increased following higher inventory due to normal business seasonality and strong harvest conditions.

Returns

Return on assets[1] increased to 8.0% as compared to 7.4% as at December 2018 primarily due to higher EBIT in the first half of 2019 as compared to the first half of 2018 and lower average assets following a weakening GBP versus the Canadian dollar. The slight decline in return on assets as compared to the same period of 2018 was primarily due to higher average inventory, partially offset by the weakening GBP versus the Canadian dollar, reducing average assets.

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

EXPLANATION OF CHANGES IN EARNINGS

Overview

The Condensed Consolidated Interim Financial Statements reflect the results of Clearwater for the 13 and 26 weeks ended June 29, 2019 and June 30, 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.

			13 weeks ended			26 weeks ended
In 000's of Canadian dollars	**June 29 2019**	June 30 2018	Change	**June 29 2019**	June 30 2018	Change
Sales	**$ 153,874**	$ 148,142	$ 5,732	**$ 273,957**	$ 268,214	$ 5,743
Cost of goods sold	**122,287**	119,537	2,750	**220,819**	221,149	(330)
Gross margin	**31,587**	28,605	2,982	**53,138**	47,065	6,073
Gross margin as a % of sales	***20.5%***	*19.3%*	*1.2%*	***19.4%***	*17.5%*	*1.8%*
Operating expenses						
Administrative and selling	**15,045**	14,712	(333)	**28,553**	26,363	(2,190)
Restructuring costs	**-**	-	-	**-**	482	482
Net finance costs	**8,146**	8,152	6	**15,957**	15,682	(275)
(Gains) losses on derivative financial instruments	**(316)**	487	803	**(9,551)**	6,323	15,874
Foreign exchange (gains) losses on long-term debt and working capital	**(1,785)**	4,118	5,903	**(1,914)**	7,685	9,599
Other (income) expense	**(1,548)**	(1,588)	(40)	**(2,173)**	(2,578)	(405)
Research and development	**202**	544	342	**275**	720	445
	19,744	26,425	6,681	**31,147**	54,677	23,530
Earnings (loss) before income taxes	**11,843**	2,180	9,663	**21,991**	(7,612)	29,603
Income tax expense (recovery)	**504**	388	(116)	**(132)**	795	927
Earnings (loss)	**$ 11,339**	$ 1,792	$ 9,547	**$ 22,123**	$ (8,407)	$ 30,530
Earnings (loss) attributable to:						
Non-controlling interest	**$ 3,328**	$ 2,715	$ 613	**$ 5,834**	$ 6,274	$ (440)
Shareholders of Clearwater	**8,011**	(923)	8,934	**16,289**	(14,681)	30,970
	$ 11,339	$ 1,792	$ 9,547	**$ 22,123**	$ (8,407)	$ 30,530
Adjusted EBITDA attributed to:						
Non-controlling interest	**$ 3,996**	$ 4,354	$ (358)	**$ 7,734**	$ 8,535	$ (801)
Shareholders of Clearwater	**26,254**	26,147	107	**42,549**	41,080	1,469
Adjusted EBITDA[1]	**$ 30,250**	$ 30,501	$ (251)	**$ 50,283**	$ 49,615	$ 668

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

Sales by species

In 000's of Canadian	13 weeks ended June 29 2019	June 30 2018	Change	26 weeks ended June 29 2019	June 30 2018	Change
Scallops	**$ 42,053**	$ 46,231	$ (4,178)	**$ 78,753**	$ 83,372	$ (4,619)
Clams	29,215	29,417	(202)	53,823	53,529	294
Lobster	20,702	22,493	(1,791)	39,884	43,563	(3,679)
Coldwater shrimp	13,904	20,712	(6,808)	35,263	41,529	(6,266)
Crab	14,311	8,036	6,275	16,227	8,787	7,440
Langoustine	11,653	8,974	2,679	22,072	17,563	4,509
Whelk	11,016	10,917	99	15,500	16,248	(748)
Groundfish and other species	11,020	1,362	9,658	12,435	3,623	8,812
	$ 153,874	$ 148,142	$ 5,732	**$ 273,957**	$ 268,214	$ 5,743

Sales by region

In 000's of Canadian	13 weeks ended June 29 2019	June 30 2018	Change	26 weeks ended June 29 2019	June 30 2018	Change
Europe	**$ 44,987**	$ 46,338	$ (1,351)	**$ 86,857**	$ 92,450	$ (5,593)
China	**32,552**	25,197	7,355	**64,730**	46,303	18,427
Japan	**16,029**	19,152	(3,123)	**30,259**	37,380	(7,121)
Other Asia	**15,369**	12,762	2,607	**22,165**	20,487	1,678
Asia	**63,950**	57,111	6,839	**117,154**	104,170	12,984
United States	**19,350**	25,566	(6,216)	**36,639**	43,467	(6,828)
Canada	**25,580**	19,111	6,469	**33,294**	28,103	5,191
North America	**44,930**	44,677	253	**69,933**	71,570	(1,637)
Other	**7**	16	(9)	**13**	24	(11)
	$ 153,874	$ 148,142	$ 5,732	**$ 273,957**	$ 268,214	$ 5,743

Clearwater reported sales for the second quarter of 2019 of $153.9 million versus 2018 comparative results of $148.1 million. Sales for the first half of 2019 were $274.0 million versus 2018 comparatives of $268.2 million.

Strong harvest conditions, landings and higher available supply in scallops, crab and langoustines were partially offset by competitive market conditions across scallop species and softening prices for FAS shrimp. Timing of FAS shrimp and turbot landings had a favourable impact on second quarter sales. Harvest conditions remained strong for scallops while competitive conditions associated mainly with US scallop landings continued, resulting in lower sales prices across all scallop sizes and lower sales volumes for smaller sizes. Scallop prices stabilized relative to the fourth quarter of 2018.

Average foreign exchange rates realized on sales for the second quarter and year-to-date 2019 had a net positive impact to sales of $0.9 million and $2.1 million respectively, as compared to the same periods in the prior year.

Scallops

- A strong sales mix and harvesting conditions contributed to higher sales for our larger sized premium scallops in the second quarter and first half of 2019.
- Competitive conditions associated mainly with US scallop landings and high inventory and availability of smaller scallops in the industry, continued into 2019, resulting in lower sales prices for scallops in the second quarter and first half as compared to the same periods of 2018. Scallop prices remained consistent with the fourth quarter of 2018.

Clams

- Stable sales prices in home currencies and favorable net foreign exchange impacts in the second quarter and first half of 2019 were offset by unfavorable sales mix compared to the same periods in 2018.
- Clearwater continues targeted efforts to increase volumes through customer and channel penetration and geographic distribution, including expansion in Asia.

Lobster

- Steady market demand, particularly in Asia, was offset by aggressive pricing by competitors resulting in lower sales prices for the second quarter and first half of 2019.
- Volumes were down as profitable opportunities were limited by the high cost of materials.

Coldwater shrimp

- Sales decreased in the second quarter and first half of 2019 as compared to the same periods in 2018 due to timing of landings of frozen-at-sea shrimp.
- Lower selling prices were consistent with the overall market trend which saw prices decline for certain size categories, primarily in the European market.

Langoustine

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

Crab

- Sales for the second quarter and first half of 2019 outpaced the prior year as procurement expanded in the UK and Canada, increasing the available supply and benefiting from the introduction of live crab in late 2018. Increased supply was partially offset by a reduction in sales price as the market was coming off record sales prices in 2018.

Whelk

- Sales increased in the second quarter of 2019 and first half of 2019 primarily due to timing of sales as compared to the same periods of 2018.

Groundfish and other

- Sales increased in the second quarter and first half of 2019 primarily due to timing of landings of turbot.

Europe

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

Sales for second quarter and year-to-date 2019 decreased $1.4 million and $5.6 million as compared to the same periods in 2018.

Higher langoustine sales volumes due to the availability of supply was offset by timing of landings and lower market prices for FAS shrimp combined with competitive price pressures for scallops which have stabilized and remain consistent with the fourth quarter of 2018. The first half of 2019 was also impacted by a regional shift of FAS shrimp sales to Asia markets.

1 – Refer to discussion on risks and uncertainties

The Euro, GBP and DKK weakened against the Canadian dollar in the second quarter and year-to-date 2019 resulting in a net negative impact of $1.0 million and $2.2 million, respectively, as compared to the same periods in 2018.

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

Sales for second quarter and year-to-date 2019 increased $7.4 million and $18.4 million, respectively, as compared to the same periods of 2018, resulting from increased demand in China across multiple species. Higher clam sales with favourable product mix weighted towards higher sales prices and timing of turbot landings contributed to increased sales. Pricing for FAS shrimp partially offset the increase in sales in the second quarter of 2019 as competitive shrimp products remained in the marketplace.

Sales in China are almost exclusively transacted in US dollars. Second quarter and year-to-date sales for 2019 were positivity impacted by $0.8 million and $2.2 million, respectively, from higher average foreign exchange rates as compared to the same period of the prior year.

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

Sales for second quarter and year-to-date decreased $3.1 million and $7.1 million, respectively, as compared to the same periods in 2018. The decrease was primarily the result of a regional shift of clam sales to China and lower volume and pricing for FAS shrimp. This was partially offset by of timing of landings for turbot.

Sales in Japan are typically transacted in Yen. The Yen continued to strengthen in second quarter and year-to-date as compared to the prior year resulting in a net positive impact of $0.3 million and $0.5 million respectively.

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 second quarter and year-to-date 2019 increased $2.6 million and $1.7 million, respectively, as compared to the same periods in 2018 primarily as a result of timing of landings for turbot partially offset by competitive market conditions for scallops and timing of whelk sales.

United States
Primary species are scallops, lobster and clams.

Sales for second quarter and year-to-date 2019 decreased $6.2 million and $6.8 million, respectively, as compared to the same periods in 2018 primarily as a result of lower sales volume for lobster and competitive price pressures for scallops. Scallop prices stabilized, remaining consistent with the fourth quarter of 2018.

Sales for second quarter and year-to-date 2019 were positively impacted $0.5 million and $1.2 million, respectively, by average foreign exchange as compared to the same periods in the prior year.

Canada

Primary species are lobster, scallops, snow crab, clams and coldwater shrimp.

Sales for second quarter and year-to-date 2019 increased $6.5 million and $5.2 million, respectively, as compared to the same periods in 2018 due to strong harvesting conditions for larger sized premium scallops and strong landings for Canadian crab. Competitive conditions associated mainly with US scallop landings continues to impact scallop pricing. Scallop prices stabilized, remaining consistent with the fourth quarter of 2018.

Average foreign exchange rates realized on sales

For second quarter and year-to-date 2019, favourable foreign exchange rates for the USD and YEN as compared to the same periods of 2018, offset unfavorable foreign exchange rates for Euro, GBP and DKK, positively impacting sales by $0.9 million and $2.1 million respectively.

				13 weeks ended				26 weeks ended
		June 29		June 30		**June 29**		June 30
		2019		2018		**2019**		2018
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1]	**% sales**	**Average rate realized[1]**	% sales	Average rate realized[1]
US dollars	**48.6%**	**1.335**	43.3%	1.300	**46.2%**	**1.333**	41.6%	1.288
Euros	**18.8%**	**1.500**	22.0%	1.529	**21.1%**	**1.503**	22.6%	1.544
Canadian dollar and other	**12.7%**		9.9%		**11.3%**		10.1%	
UK pounds	**11.8%**	**1.707**	11.0%	1.755	**10.9%**	**1.717**	10.2%	1.763
Japanese yen	**5.1%**	**0.012**	8.7%	0.012	**7.2%**	**0.012**	9.7%	0.012
Danish kroner	**3.0%**	**0.201**	5.1%	0.208	**3.3%**	**0.202**	5.8%	0.209
	100.0%		100.0%		**100.0%**		100.0%	

[1] *Refer to discussion on risks and uncertainties.*

Cost of goods sold

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

Cost of goods sold increased in the second quarter of 2019 by $2.8 million as compared to the same period of 2018 primarily due to increased sales volumes and sales mix weighted towards procured species.

Year-to-date, cost of goods sold decreased $0.3 million as compared to the same period of 2018 primarily due to sales mix.

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 second quarter and year-to-date 2019 increased $3.0 million and $6.1 million, respectively, as compared to the same periods of 2018. Gross margin as a percentage of sales expanded to 19.4% in the first half of 2019 compared to 17.5% in the prior year.

1 – Refer to discussion on risks and uncertainties

Gross margin increased due to strong harvest conditions and favourable mix in scallops. Sales prices for premium sizes stabilized relative to the fourth quarter of 2018. Steady market demand for lobster was partially offset by lower selling prices, consistent with seasonal expectations. Overall access to supply and customer demand in other procured species remained strong as compared to the prior year.

In second quarter and year-to-date 2019, average foreign exchange rates realized on sales had a net positive impact to gross margin of $0.9 million and $2.1 million respectively.

Operating expenses

	13 weeks ended			26 weeks ended		
In 000's of Canadian dollars	**June 29 2019**	June 30 2018	Change	**June 29 2019**	June 30 2018	Change
Salaries and benefits	**$ 10,849**	$ 10,473	$ 376	**$ 21,090**	$ 20,084	$ 1,006
Share-based compensation	**765**	693	72	**890**	(212)	1,102
Employee compensation	**11,614**	11,166	448	**21,980**	19,872	2,108
Consulting and professional fees	**2,797**	3,697	(900)	**6,199**	6,595	(396)
Other[1]	**3,744**	3,401	343	**6,975**	6,658	317
Allocation to cost of goods sold[2]	**(3,110)**	(3,552)	442	**(6,603)**	(6,762)	159
Administrative and selling	**$ 15,045**	$ 14,712	$ 333	**$ 28,551**	$ 26,363	$ 2,188
Restructuring costs	**-**	-	-	**-**	482	(482)
Operating expenses	**$ 15,045**	$ 14,712	$ 333	**$ 28,551**	$ 26,845	$ 1,706

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

[2] Allocated to cost of goods sold reflects costs that are attributable to the production of goods and are included in the cost of inventory.

Operating expenses increased $0.3 million and $1.7 million for the second quarter and year-to-date 2019 as compared to the same periods of 2018 primarily due to cost savings initiatives offset by higher share-based compensation expense driven by changes in Clearwater's period-end share price and timing of employee compensation.

Net finance costs

	13 weeks ended			26 weeks ended		
In 000's of Canadian dollars	**June 29 2019**	June 30 2018	Change	**June 29 2019**	June 30 2018	Change
Interest and bank charges	**$ 7,395**	$ 7,269	$ 126	**$ 14,459**	$ 13,932	$ 527
Amortization of deferred financing charges	**445**	428	17	**881**	832	49
	7,840	7,697	143	**15,340**	**14,764**	576
Accretion on deferred consideration	**306**	455	(149)	**617**	918	(301)
	306	455	(149)	**617**	918	(301)
	$ 8,146	$ 8,152	$ (6)	**$ 15,957**	$ 15,682	$ 275

Net finance costs remained consistent in the second quarter and increased $0.3 million year-to-date 2019 as compared to the same periods in 2018. Increase in interest and bank charges was primarily 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 balances.

(Gains) losses on derivative financial instruments

In 000's of Canadian dollars		13 weeks ended June 29 2019		June 30 2018		Change		26 weeks ended June 29 2019		June 30 2018		Change
Realized (gain) loss												
Forward foreign exchange contracts	$	**237**	$	(1,253)	$	1,490	$	**(390)**	$	(2,550)	$	2,160
Unrealized (gain) loss												
Forward foreign exchange contracts		**(553)**		1,740		(2,293)		**(9,161)**		8,873		(18,034)
	$	**(316)**	$	487	$	(803)	$	**(9,551)**	$	6,323	$	(15,874)

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 (*Refer to Non-IFRS measures, definitions and reconciliations*).

Realized gains on settled forward foreign exchange contracts for the second quarter and year-to-date 2019 decreased $1.5 million and $2.2 million, respectively, as compared to the same periods in 2018. The realized gain decreased due to average contracted rates for most currency pairs being less favourable compared to the spot rate on the date of settlement in 2019.

The increase in unrealized gain of $2.3 million in the second quarter and $18.0 million year-to-date 2019 as compared to the same periods in 2018 is dependent on average contracted rates as compared to the forward rates based on maturity. The unrealized gain in the first half 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		13 weeks ended June 29 2019		June 30 2018		Change		26 weeks ended June 29 2019		June 30 2018		Change
Realized (gain) loss												
Long-term debt and working capital	$	**534**	$	(1,811)	$	2,345	$	**1,217**	$	(5,200)	$	6,417
Unrealized (gain) loss												
Long-term debt and working capital		**(4,151)**		9,917		(14,068)		**(10,141)**		19,444		(29,585)
Forward exchange contracts related to long-term debt		**1,832**		(3,988)		5,820		**7,010**		(6,559)		13,569
		(2,319)		5,929		(8,248)		**(3,131)**		12,885		(16,016)
	$	**(1,785)**	$	4,118	$	(5,903)	$	**(1,914)**	$	7,685	$	(9,599)

Realized foreign exchange losses on long-term debt and working capital in the second quarter and year-to-date 2019 increased $2.3 million and $6.4 million, respectively as compared to unrealized losses in the same periods of 2018. Foreign exchange rates for GBP, EURO and USD weakened relative to the CDN dollar in the second quarter and year-to-date 2019, resulting in unfavorable working capital settlements.

Unrealized foreign exchange gains on long-term debt and working capital increased $14.1 million and $29.6 million for the second quarter and year-to-date 2019, respectively, as compared to unrealized loss in the same periods of 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

			13 weeks ended			26 weeks ended
In 000's of Canadian dollars	**June 29 2019**	June 30 2018	Change	**June 29 2019**	June 30 2018	Change
Share of earnings of equity-accounted investee	**$ (1,737)**	$ (1,513)	$ 224	**$ (2,820)**	$ (1,765)	$ 1,055
Fair value adjustment on earn-out liability	**47**	(270)	(317)	**132**	(657)	(789)
Other (income) fees	**(129)**	149	278	**(261)**	(82)	179
Royalties, interest income and other	**262**	(39)	(301)	**668**	(311)	(979)
Acquisition and project related	**9**	85	76	**108**	237	129
	$ (1,548)	$ (1,588)	(40)	**$ (2,173)**	$ (2,578)	$ (405)

Other income for the second quarter of 2019 was consistent with the same period of 2018. Year-to-date, other income increased $0.4 million, as compared to 2018 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 expense increased $0.1 million in the second quarter and decreased $0.9 million year-to-date 2019 as compared to the same periods in 2018 primarily due to income in foreign tax jurisdictions and related foreign exchange impacts.

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

Earnings (loss) attributable to shareholders

Earnings attributable to shareholders increased $8.9 million and $31.0 million in second quarter and year-to-date 2019 as compared to the same periods 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.

Earnings (loss) 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 increase in earnings attributable to non-controlling interest of $0.6 million in second quarter 2019 was primarily due to timing of landings for turbot, partially offset by unrealized foreign exchange losses compared to same period in 2018. Year-to-date decrease of $0.4 million was primarily due to timing of landings for turbot offset by timing of landings and softening prices for FAS shrimp and unrealized foreign exchange losses.

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

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 $0.9 million and $2.3 million in the second quarter and year-to-date of 2019, as compared to the same periods in 2018, as a result of higher gross margin offset by realized foreign exchange losses on working capital and derivative contracts.

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.

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

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 June 29, 2019 and December 31, 2018:

In 000's of Canadian dollars As at December 31		**2019**		2018
Equity				
Share capital	**$**	**216,517**	$	215,506
Contributed surplus		**4,746**		4,218
Deficit		**(29,052)**		(38,848)
Accumulated other comprehensive income (loss)		**(45,900)**		(36,053)
		146,311		144,823
Non-controlling interest		**18,017**		18,397
Total Equity		**164,328**		163,220
Long-term debt				
Senior debt, non-amortizing				
USD senior unsecured notes, due 2025[1]		**321,969**		333,955
Revolving debt, due in 2022[2]		**93,195**		58,019
Term loan, due in 2019		**13,126**		13,637
Term loan, due in 2091		**3,500**		3,500
		431,790		409,111
Senior debt, amortizing				
Term Loan B, due 2022[3]		**34,020**		34,177
Other loans		**83**		112
		34,103		34,289
Lease liabilities[4]		**6,976**		-
Deferred obligation[5]		**16,331**		16,504
Earnout liability[5]		**2,223**		3,513
Total long-term debt		**491,423**		463,417
Total capital	**$**	**655,751**	$	626,637

1. USD senior unsecured notes is net of unamortized deferred financing charges of $6.2 million with a US dollar coupon rate of 6.875%.

2. The revolving debt is net of unamortized deferred financing charges of $1.8 million. As of June 29, 2019, subject to financial covenants, Clearwater may borrow up to an additional CDN $57.2 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.

4. Lease liabilities was recognized upon adoption of IFRS 16, effective January 1, 2019 and represents the 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 (June 29, 2019 - 2.5 million remaining) for issuance under the share-based compensation plans and 3.0 million (June 29, 2019 - 1.9 million remaining) under the dividend reinvestment plan.

There are 65,043,730 shares outstanding as of June 29, 2019 (December 31, 2018 - 64,841,993).

Long-term debt

As at June 29, 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 90-days 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 $7.0 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 June 29, 2019 is £10.5 million (CDN $17.4 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 June 29, 2019 is £1.3 million (CDN - $2.2 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 70% percent of its debt as at June 29, 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 June 29, 2019, Clearwater had $19.1 million in cash, and $57.2 million available to draw down on its revolving facility.

In 000's of Canadian dollars

As at	**June 29 2019**	June 30 2018	July 1 2017
Cash	$ **19,052**	$ 27,180	$ 15,893
Sources of liquidity	**19,052**	27,180	15,893

Leverage[1]

Leverage for second quarter 2019 was 5.2x compared to 5.1x for the same period of 2018. Leverage increased slightly as compared to the second quarter of 2018 as adjusted EBITDA attributable to shareholders decreased modestly and net debt increased due to higher inventory following strong fishing conditions across all species.

Compared to December 31, 2018, leverage increased to 5.2x as compared to 4.7x as a result of higher debt balances, partially offset by higher adjusted EBITDA attributable to shareholders. Net debt increased following higher inventory due to normal business seasonality and strong harvest conditions.

In 000's of Canadian dollars

As at		June 29 2019	December 31 2018	June 30 2018	July 1 2017
Adjusted EBITDA[1] attributable to shareholders	$	**89,641**	88,175 $	90,885 $	101,223
Net Debt[2,3,4] (excluding non-controlling interest)		**469,774**	418,454	464,486	492,873
Leverage		**5.2x**	4.7x	5.1x	4.9x

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

[2] *Debt at June 29, 2019 includes lease liabilities of $7.0 million recognized upon adoption of IFRS 16 effective January 1, 2019 and has been adjusted to include US $200 million forward foreign exchange contracts at an average contracted rate of 1.2844.*

[3] *Debt is net of unamortized deferred financing charges of $8.2 million (December 31, 2018 - $9.2 million; June 30, 2018 - $9.8 million; July 1, 2017 - $10.9million).*

[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 for anticipated sales (up to 18 months) and long-term debt related hedges (through to 2022). A reduction in volatility from currency exposures improves earnings predictability.

As of June 29, 2019, Clearwater had forward exchange contracts outstanding:

Currency	Forecasted transaction	Notional (millions)	Average rate
USD to CDN	Sales	87.2	1.3051
Yen to CDN	Sales	3,922.3	0.0122
Euro to CDN	Sales	34.5	1.5479
Euro to GBP	Sales	35.9	0.8805
CDN to USD	Debt	241.3	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:

		13 weeks ended			26 weeks ended	
		June 29		June 30		June 29		June 30
In 000's of Canadian dollars		**2019**		2018		**2019**		2018
Cash from (used in) operating activities	**$**	**(35,632)**	$	(5,426)	**$**	**(23,318)**	$	9,404
Cash from (used in) financing activities		**26,640**		3,979		**20,777**		(4,602)
Cash from (used in) investing activities		**(7,473)**		(7,961)		**(13,435)**		(13,767)
Free cash flow[1,2]	**$**	**(48,019)**	$	(15,952)	**$**	**(43,402)**	$	(6,324)
Supplemental cash flow information								
Changes in working capital	**$**	**(54,911)**	$	(27,942)	$	**(50,812)**	$	(25,949)
(Increase) decrease in inventory[3]		**(44,550)**		(27,169)		**(49,699)**		(28,700)
(Increase) decrease in trade and other receivables		**(12,993)**		(7,611)		**(6,171)**		10,999
(Increase) decrease in prepaids and other		**2,129**		2,754		**1,541**		(1,154)
Increase (decrease) in trade and other payables		**1,322**		9,453		**4,767**		(2,841)
(Increase) decrease in income taxes payable		**(819)**		(5,369)		**(1,250)**		(4,253)
Purchase of property, plant and equipment	**$**	**(7,316)**	$	(8,227)	$	**(13,891)**	$	(13,993)
Cash dividends paid on common shares[4]	**$**	**(5,581)**	$	(4,626)	$	**(5,581)**	$	(4,626)

[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.
[4] Net of the dividend reinvestment plan.

Cash flow from Operating Activities

Cash used in operations increased $30.2 million in the second quarter and $32.7 million year-to-date 2019 compared to the same periods of 2018 primarily due to EBITDA growth offset by higher inventory following strong harvesting conditions across all species.

Cash flow from Financing Activities

Cash provided by financing activities increased $22.7 million and $25.4 million in second quarter and year-to-date 2019, respectively, as compared to the same periods of 2018. Drawings on the revolving credit facility increased $25.3 million and $27.9 million for second quarter and year-to-date, respectively, primarily due to inventory growth. Distributions to non-controlling interests for the first half of 2019 were $0.5 million higher compared to 2018.

Cash Flow from Investing Activities

Cash used in investing activities for the second quarter and year-to-date of 2019 of $7.5 million and $13.9 million, respectively, are consistent compared to the same period in 2018.

Free Cash Flow[1]
Free cash flow for second quarter and year-to-date 2019 decreased $32.1 million and $37.1 million, respectively, as compared to the same periods of 2018, due to higher inventory and timing of distributions to non-controlling interest.

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. 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.

Clearwater manages its inventories through detailed review of supply, production plans and sales forecasts, and through continuous improvements in the integration of its fleet and sales plans. Inventory levels may fluctuate due to harvesting conditions and operations and the seasonal nature of our business. The Company takes advantage of favourable harvesting conditions and availability of supply to maintain profitable margins.

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 (2018 - $19.1 million) in capital projects relating to vessel refits and land-based supply chain infrastructure.

Dividends

On August 7, 2019 the Board of Directors approved and declared a dividend of $0.05 per share payable on September 3, 2019 to shareholders of record as of August 19, 2019.

On February 15, 2018 the Board approved a dividend reinvestment plan 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 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 favorable tax treatment applicable to such dividends.

OUTLOOK

For the second half of 2019, we expect top and bottom-line growth across multiple species and regions, led by Asia-Pacific. Growth will be driven by the strong harvest conditions and improved access to supply for procured species experienced in the first half of the year along with continued margin expansion.

Strong harvest conditions and improved access to supply for procured species enabled investment in high quality inventory in the first half of the year. In the second half of 2019, this inventory will fuel expansion into new markets and distribution channels, along with new product offerings, like sea cucumber, cockle clams, whelk, and a full year offering of live crab.

In June 2019, Clearwater successfully entered the Canadian Sea Cucumber Fishery. Sea Cucumber is a traditional staple in the diets of many Asian consumers with Canadian Sea Cucumber recognized for its taste, texture, sustainability, traceability and food safety. In entering this fishery, Clearwater has leveraged its industry-leading and well-established sales capability, extensive distribution network, geographic proximity to the resource and technical expertise in value-added processing. Canadian Sea Cucumber is an abundant resource and we expect this new species to provide an attractive source of long-term incremental sales and profit.

Clearwater has access to the full clam total allowable catch for 2019. In the first half of 2019, Clearwater entered into a voluntary agreement forging a 50-year partnership with fourteen Indigenous communities providing long-term stable access to the arctic surf clam resource. Clearwater will continue to advance working relationships with Indigenous partners.

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, technology innovation 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 a 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. On May 24, 2019, the current UK Prime Minister announced her resignation as Conservative leader and UK Prime Minister. After a leadership vote, on July 24, 2019, Boris Johnson became the new UK Prime Minister. A vocal supporter of Brexit, Prime Minister Johnson has expressed a strong commitment to leave the EU on October 31, 2019. Continued uncertainty exists around Brexit with numerous possible scenarios.

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 June 29, 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	$ 153,874	$ -	$ -
Adjusted EBITDA[1]	20,033	30,250	-	-
Adjusted EBITDA attributable to shareholders[1]	16,297	26,254	-	-
Earnings (loss) attributable to shareholders	8,277	8,011	-	-
Earnings (loss) per share	0.13	0.12	-	-
Diluted earnings (loss) per share	0.13	0.12	-	-
Weighted average shares outstanding[2]	64,842,209	65,031,433	-	-
Fiscal 2018				
Sales	$ 120,072	$ 148,142	$ 164,225	$ 159,807
Adjusted EBITDA[1]	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[1]	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 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.

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

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 and 26 weeks ended June 29, 2019 and June 30, 2018 and rolling twelve months ended June 29, 2019 and June 30, 2018 is as follows:

		13 weeks ended		26 weeks ended		12 months Rolling	
		June 29 2019	**June 30 2018**	**June 29 2019**	**June 30 2018**	**June 29 2019**	**June 30 2018**
Earnings (loss)	$	**11,339**	$ 1,792	$ **22,123**	$ (8,407)	$ **26,824**	$ 4,621
Income taxes		**504**	388	**(132)**	795	**813**	6,794
Taxes and depreciation for equity investment		**816**	755	**1,281**	1,123	**634**	2,187
Depreciation and amortization		**10,961**	13,049	**20,997**	24,016	**45,824**	49,105
Interest on long-term debt and bank charges		**7,841**	7,697	**15,340**	14,764	**30,823**	30,536
Earnings before interest, taxes, depreciation and amortization	$	**31,461**	$ 23,681	$ **59,609**	$ 32,291	$ **104,918**	$ 93,243
Add (deduct) other items:							
Unrealized foreign exchange and derivative loss (income)		**(2,872)**	7,668	**(12,291)**	21,759	**(4,999)**	16,830
Fair market value adjustment on long-term debt		**353**	185	**750**	260	**1,586**	(1,082)
Realized foreign exchange on working capital		**534**	(1,811)	**1,217**	(5,202)	**904**	(5,708)
Restructuring and refinancing costs		**9**	85	**108**	719	**255**	8,344
Share-based compensation (recovery) expense		**765**	693	**890**	(212)	**2,392**	(728)
Adjusted EBITDA	**$**	**30,250**	**$** 30,501	**$ 50,283**	**$** 49,615	**$ 105,056**	**$** 110,899
Adjusted EBITDA attributed to:							
Non-controlling interests	$	**3,996**	$ 4,354	$ **7,734**	$ 8,535	$ **15,415**	$ 20,014
Shareholders of Clearwater		**26,254**	26,147	**42,549**	41,080	**89,641**	90,885
	$	**30,250**	**$** 30,501	**$ 50,283**	**$** 49,615	**$ 105,056**	**$** 110,899

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

Adjusted earnings attributable to shareholders

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

Reconciliation of net earnings to adjusted earnings for the 13 and 26 weeks ended June 29, 2019 and June 30, 2018 and rolling twelve months ended June 29, 2019 and June 30, 2018 is as follows:

	13 weeks ended		26 weeks ended		Rolling 12 months ended	
	June 29 2019	**June 30 2018**	**June 29 2019**	**June 30 2018**	**June 29 2019**	**June 30 2018**
Reconciliation of earnings to adjusted earnings						
Earnings (loss)	$ **11,339**	$ 1,792	$ **22,123**	$ (8,407)	$ **26,824**	$ 4,621
Add (subtract)						
Restructuring and refinancing costs	**9**	85	**108**	719	**255**	8,344
Share-based compensation (recovery) expense	**765**	693	**890**	(212)	**2,392**	(728)
Unrealized foreign exchange and derivative (gain) loss	**(2,872)**	7,668	**(12,291)**	21,759	**(4,999)**	16,830
Fair value adjustment on long-term debt	**353**	185	**750**	260	**1,586**	(1,082)
	(1,745)	8,631	**(10,543)**	22,526	**(766)**	23,364
Adjusted earnings	**$ 9,594**	**$** 10,423	**$ 11,580**	**$** 14,119	**$ 26,058**	**$** 27,985
Adjusted earnings attributable to:						
Non-controlling interests	**3,505**	3,443	**6,525**	6,795	**12,496**	14,034
Shareholders	**6,089**	6,980	**5,055**	7,324	**13,562**	13,951
	$ **9,594**	$ 10,423	$ **11,580**	$ 14,119	$ **26,058**	$ 27,985
Adjusted earnings per share:						
Weighted average of shares outstanding	**65,031**	64,154	**64,937**	64,048	**64,742**	64,154
Adjusted earnings per share for shareholders	**0.09**	0.11	**0.08**	0.11	**0.21**	0.22
Reconciliation of adjusted earnings to adjusted EBITDA						
Adjusted earnings	$ **9,594**	$ 10,423	$ **11,580**	$ 14,119	$ **26,058**	$ 27,985
Add (subtract)						
Income tax expense	**504**	388	**(132)**	795	**813**	6,794
Depreciation and amortization	**10,961**	13,049	**20,997**	24,016	**45,824**	49,105
Interest on long-term debt and bank charges	**7,841**	7,697	**15,340**	14,764	**30,823**	30,536
Taxes and depreciation for equity investment	**816**	755	**1,281**	1,123	**634**	2,187
Realized foreign exchange on working capital	**534**	(1,811)	**1,217**	(5,202)	**904**	(5,708)
	20,656	20,078	**38,703**	35,496	**78,998**	82,914
Adjusted EBITDA[1]	**$ 30,250**	**$** 30,501	**$ 50,283**	**$** 49,615	**$ 105,056**	**$** 110,899

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

Leverage

Leverage is not a recognized measure under IFRS, and therefore is unlikely to be comparable to similar measures presented by other companies. Management believes leverage to be a useful term when discussing liquidity and does monitor and manage leverage. In addition, as leverage is a measure frequently analyzed for public companies, Clearwater has calculated the amount 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 June 29, 2019, December 31, 2018, June 30, 2018 and July 1, 2017 is as follows:

In 000's of Canadian dollars Rolling 12 months ended		**June 29 2019**		December 31 2018		June 30 2018		July 1 2017
Adjusted EBITDA[1] attributable to shareholders	**$**	**89,641**	$	88,175	$	90,885	$	101,223
Long-term debt[2]		**491,423**		463,417		495,327		502,930
Less: Cash		**(19,052)**		(35,877)		(27,180)		(15,893)
Adjust for:								
Hedging instruments[3,4]		**(5,647)**		(15,867)		(5,867)		1,716
Cash attributed to non-controlling interest		**3,050**		6,791		2,206		4,120
Net debt	**$**	**469,774**	$	418,465	$	464,487	$	492,873
Leverage		**5.2x**		4.7x		5.1x		4.9x

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

2 Debt is net of unamortized deferred financing charges of $8.2 million (December 31, 2018 - $9.2 million; June 30, 2018 - $9.8 million; July 1, 2017 - $10.9 million).

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

4 Debt at June 29, 2019 has been adjusted to include a USD $200 million forward foreign exchange contract at an average contracted rate of 1.2844.

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 of cash from operating activities to free cash flows for the 13 and 26 weeks ended June 29, 2019 and June 30, 2018 and rolling twelve months ended June 29, 2019 and June 30, 2018 is as follows:

		13 weeks ended		26 weeks ended		12 months Rolling	
		June 29 2019	June 30 2018	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018
Adjusted EBITDA	**$**	**30,250**	$ 30,501	**$ 50,283**	$ 49,615	**$ 105,056**	$ 110,899
Less:							
Interest and bank charges		**(7,395)**	(7,269)	**(14,894)**	(13,931)	**(29,514)**	(28,889)
Current income tax expense		**(382)**	(1,176)	**(1,287)**	(3,128)	**(4,477)**	(8,080)
Other income and expense items		**(3,194)**	460	**(6,608)**	2,797	**(8,180)**	(10,678)
Operating cash flow before changes in working capital		**19,279**	22,516	**27,494**	35,353	**62,885**	63,252
Changes in working capital		**(54,911)**	(27,942)	**(50,812)**	(25,949)	**(19,120)**	38,674
Cash flows from operating activities		**(35,632)**	(5,426)	**(23,318)**	9,404	**43,765**	101,926
Sources (uses) of cash:							
Purchase of property, plant, equipment, quota and other assets		**(7,316)**	(8,227)	**(13,891)**	(13,993)	**(19,023)**	(56,763)
Proceeds from disposal of fixed assets		**581**	-	**1,808**	-	**1,808**	2,400
Less: Designated borrowings[1]		**-**	-	**-**	1,106	**-**	21,635
Scheduled payments on long-term debt		**(1,418)**	(1,456)	**(1,519)**	(1,557)	**(10,610)**	(10,592)
Repayment of lease liabilities		**(353)**	-	**(705)**	-	**(705)**	-
Dividends received from joint venture		**-**	-	**-**	-	**3,228**	3,340
Distribution to non-controlling interests		**(4,054)**	(2,085)	**(6,834)**	(5,329)	**(12,859)**	(17,532)
Non-routine project costs		**173**	1,242	**567**	2,961	**2,034**	6,353
Payments on long-term incentive plans		**-**	-	**490**	1,084	**490**	1,261
Free cash flows	**$**	**(48,019)**	**$** (15,952)	**$ (43,402)**	**$** (6,324)	**$ 8,128**	**$** 52,028
Reconciliation of change in cash							
Add/(less):							
Other debt borrowings (repayments) of debt, use of cash		**37,468**	12,166	**34,850**	5,844	**(2,350)**	(24,569)
Issuance of equity		**912**	1,774	**912**	1,774	**3,686**	1,774
Other investing activities		**(740)**	266	**(1,355)**	226	**(2,387)**	721
Other financing activities		**(5,913)**	(6,420)	**(5,925)**	(6,440)	**(12,400)**	(11,802)
Payments on long-term incentive plans		**-**	-	**(490)**	(1,084)	**(490)**	(1,261)
Non-routine project costs		**(173)**	(1,242)	**(567)**	(2,961)	**(2,034)**	(6,353)
Impact of foreign exchange on cash		**(434)**	(777)	**(858)**	631	**(286)**	748
Change in cash for the period	**$**	**(16,899)**	$ (10,185)	**$ (16,835)**	$ (8,334)	**$ (8,133)**	$ 11,286

[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.

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 June 29, 2019, June 30, 2018 and July 1, 2017 is as follows:

In (000's) of Canadian dollars	**June 29 2019**	**December 31, 2018**	June 30 2018	July 1 2017
Adjusted EBITDA[1]	$ **105,056**	$ **104,391**	$ 110,899	$ 121,929
Depreciation and amortization	**45,824**	**48,843**	46,712	42,131
Adjusted earnings before interest and taxes	**59,232**	**55,548**	64,187	79,798
Average quarterly total assets	$ **737,438**	$ **752,007**	$ 778,616	$ 756,821
	8.0%	**7.4%**	8.2%	10.5%

[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 June 29, 2019 and the unaudited condensed consolidated interim Statements of Earnings (Loss), Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for the 13 and 26 weeks ended weeks ended June 29, 2019 and June 30, 2018. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 29, 2019 and June 30, 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		**June 29 2019**		December 31 2018
ASSETS				
Current assets				
Cash	**$**	**19,052**	$	35,887
Trade and other receivables		**87,652**		85,244
Inventories		**120,545**		70,115
Prepaids and other		**5,656**		7,357
Derivative financial instruments (Note 5)		**2,501**		1,222
		235,406		199,825
Non-current assets				
Long-term receivables		**7,023**		4,970
Derivative financial instruments (Note 5)		**5,413**		12,671
Other assets		**268**		147
Property, plant and equipment		**242,554**		246,117
Investment in equity investee		**12,202**		9,382
Deferred tax assets		**14,944**		14,266
Intangible assets		**185,603**		191,422
Goodwill		**46,624**		48,623
		514,631		527,598
TOTAL ASSETS	**$**	**750,037**	$	727,423
LIABILITIES				
Current liabilities				
Trade and other payables	**$**	**74,418**	$	70,507
Income taxes payable		**401**		1,661
Current portion of long-term debt (Note 6)		**23,604**		23,269
Derivative financial instruments (Note 5)		**2,446**		9,966
		100,869		105,403
Non-current liabilities				
Long-term debt (Note 6)		**467,819**		440,148
Derivative financial instruments (Note 5)		**1,292**		497
Other long-term liabilities		**15**		323
Deferred tax liabilities		**15,714**		17,832
		484,840		458,800
SHAREHOLDERS' EQUITY				
Share capital (Note 7)	**$**	**216,517**	$	215,506
Contributed surplus		**4,746**		4,218
Retained earnings (deficit)		**(29,052)**		(38,848)
Accumulated comprehensive loss ("ACL")		**(45,900)**		(36,053)
		146,311		144,823
Non-controlling interest		**18,017**		18,397
		164,328		163,220
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**750,037**	$	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		26 weeks ended	
	June 29 2019	June 30 2018	**June 29 2019**	June 30 2018
Sales	**$ 153,874**	$ 148,142	**$ 273,957**	$ 268,214
Cost of goods sold	**122,287**	119,537	**220,819**	221,149
Gross margin	**31,587**	28,605	**53,138**	47,065
Operating expenses				
Administrative and selling costs	**15,045**	14,712	**28,553**	26,363
Restructuring costs	**-**	-	**-**	482
Net finance costs	**8,146**	8,152	**15,957**	15,682
(Gains) losses on derivative financial instruments (Note 5 (c))	**(316)**	487	**(9,551)**	6,323
Foreign exchange (gains) losses on long-term debt and working capital (Note 5 (e))	**(1,785)**	4,118	**(1,914)**	7,685
Other (income) expense	**(1,548)**	(1,588)	**(2,173)**	(2,578)
Research and development	**202**	544	**275**	720
	19,744	26,425	**31,147**	54,677
Earnings (loss) before income taxes	**11,843**	2,180	**21,991**	(7,612)
Income tax (recovery) expense	**504**	388	**(132)**	795
Earnings (loss) for the period	**$ 11,339**	$ 1,792	**$ 22,123**	$ (8,407)
Earnings (loss) attributable to:				
Non-controlling interest	**$ 3,328**	$ 2,715	**$ 5,834**	$ 6,274
Shareholders of Clearwater	**8,011**	(923)	**16,289**	(14,681)
	$ 11,339	$ 1,792	**$ 22,123**	$ (8,407)
Basic earnings (loss) per share (Note 8)	**$ 0.12**	**$** (0.01)	**$ 0.25**	**$** (0.23)
Diluted earnings (loss) per share (Note 8)	**$ 0.12**	**$** (0.01)	**$ 0.25**	**$** (0.23)

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		26 weeks ended	
	June 29 2019	June 30 2018	**June 29 2019**	June 30 2018
Earnings (loss) for the period	**$ 11,339**	$ 1,792	**$ 22,123**	$ (8,407)
Comprehensive income (loss)				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations	**(8,177)**	(8,431)	**(8,442)**	1,974
Cash flow hedges - effective portion of change in fair value, net of tax	**(642)**	889	**(1,534)**	1,803
Cash flow hedges - reclassified to earnings (loss), net of tax	**159**	(39)	**83**	(89)
	(8,660)	(7,581)	**(9,893)**	3,688
Comprehensive income (loss) for the period	**$ 2,679**	$ (5,789)	**$ 12,230**	$ (4,719)
Comprehensive income (loss) attributable to:				
Non-controlling interest	**$ 3,303**	$ 2,432	**$ 5,788**	$ 5,969
Shareholders of Clearwater	**(624)**	(8,221)	**6,442**	(10,688)
	$ 2,679	$ (5,789)	**$ 12,230**	$ (4,719)

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	-	-	1,714	2,279	(14,681)	5,969	(4,719)
Transactions recorded directly in equity							
Share-based compensation	98	425	-	-	-	-	523
Distributions to non-controlling interest	-	-	-	-	-	(4,956)	(4,956)
Dividends declared on common shares	-	-	-	-	(6,400)	-	(6,400)
Common shares issued under DRIP	1,774	-	-	-	-	-	1,774
Total transactions with owners	1,872	425	-	-	(6,400)	(4,956)	(9,059)
Balance at June 30, 2018	**$ 212,732**	**$ 3,446**	**$ 525**	**$ (36,262)**	**$ (29,803)**	**$ 18,122**	**$ 168,760**
Comprehensive income (loss) for the period	-	-	1,494	(1,719)	(1,523)	6,281	4,533
Transactions recorded directly in equity							
Share-based compensation	-	772	-	-	-	-	772
Distributions to non-controlling interest	-	-	-	-	-	(5,860)	(5,860)
Dividends declared on common shares	-	-	-	-	(6,447)	-	(6,447)
Common shares issued under DRIP	2,774	-	-	-	-	-	2,774
Acquisition of non-controlling interest		-	-	(91)	(1,075)	(146)	(1,312)
Total transactions with owners	2,774	772	-	(91)	(7,522)	(6,006)	(10,073)
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	**-**	**-**	**(1,451)**	**(8,396)**	**16,289**	**5,788**	**12,230**
Transactions recorded directly in equity							
Share-based compensation	**99**	**528**	**-**	**-**	**-**	**-**	**627**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(6,168)**	**(6,168)**
Dividends declared on common shares	**-**	**-**	**-**	**-**	**(6,493)**	**-**	**(6,493)**
Common shares issued under DRIP	**912**	**-**	**-**	**-**	**-**	**-**	**912**
Total transactions with owners	**1,011**	**528**	**-**	**-**	**(6,493)**	**(6,168)**	**(11,122)**
Balance at June 29, 2019	**$ 216,517**	**$ 4,746**	**$ 568**	**$ (46,468)**	**$ (29,052)**	**$ 18,017**	**$ 164,328**

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		26 weeks ended	
	June 29 2019	June 30 2018 (Restated, Note 12)	**June 29 2019**	June 30 2018 (Restated, Note 12)
Operating				
Earnings (loss) for the period	**$ 11,339**	$ 1,792	**$ 22,123**	$ (8,407)
Adjustments for:				
Depreciation and amortization	**10,961**	13,049	**20,997**	24,016
Amortization of deferred financing costs	**445**	428	**881**	832
Accretion on long-term debt	**305**	455	**617**	918
Net unrealized foreign exchange (gains) losses on financial assets and liabilities	**(5,089)**	7,205	**(16,510)**	22,592
Deferred tax expense (recovery)	**122**	(788)	**(1,418)**	(2,333)
Share-based compensation	**765**	699	**890**	(206)
(Gain) loss on disposal of property, plant, and equipment, and other assets	**(118)**	165	**7**	165
(Earnings) loss from equity investee	**(1,737)**	(1,513)	**(2,820)**	(1,765)
Foreign exchange and other	**2,286**	1,024	**2,727**	(459)
Cash from operating activities before changes in working capital	**19,279**	22,516	**27,494**	35,353
Change in non-cash operating working capital (Note 11)	**(54,911)**	(27,942)	**(50,812)**	(25,949)
Cash from (used in) operating activities	**$ (35,632)**	$ (5,426)	**$ (23,318)**	$ 9,404
Financing				
Repayment of long-term debt	**(1,418)**	(1,459)	**(1,519)**	(1,561)
Net (repayment of) proceeds from revolving credit facility	**37,468**	12,169	**34,850**	6,952
Repayment of lease liabilities	**(353)**	-	**(705)**	-
Net distributions paid to non-controlling interest	**(4,054)**	(2,085)	**(6,835)**	(5,329)
Repayments from (advances to) minority partners	**578**	(20)	**567**	(38)
Dividends paid on common shares, net of dividends reinvested	**(5,581)**	(4,626)	**(5,581)**	(4,626)
Cash from (used in) financing activities	**$ 26,640**	$ 3,979	**$ 20,777**	$ (4,602)
Investing				
Purchase of property, plant and equipment	**(7,316)**	(8,227)	**(13,891)**	(13,993)
Proceeds on disposal of property, plant and equipment	**581**	-	**1,808**	-
Net proceeds from sale (purchase) of other assets	**(149)**	(71)	**(162)**	(71)
Net proceeds (advances) from long term receivables	**(589)**	337	**(1,190)**	297
Cash from (used in) investing activities	**$ (7,473)**	$ (7,961)	**$ (13,435)**	$ (13,767)
Effect of foreign exchange rate changes on cash	**$ (434)**	$ (777)	**$ (859)**	$ 631
Increase (decrease) in cash	**(16,899)**	(10,185)	**(16,835)**	(8,334)
Cash, beginning of period	**35,951**	37,365	**35,887**	35,514
Cash, end of period	**$ 19,052**	$ 27,180	**$ 19,052**	$ 27,180
Supplemental disclosure of operating cash flows				
Cash interest paid	**(13,252)**	(12,722)	**(14,750)**	(14,210)
Cash income taxes paid	**$ (1,201)**	$ (6,545)	**$ (2,537)**	$ (7,381)

See the accompanying notes to the condensed consolidated interim financial statements

1. DESCRIPTION OF THE BUSINESS

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

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

The Condensed Consolidated Interim Financial Statements of Clearwater as at and for the periods ended June 29, 2019 and June 30, 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 were prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by Clearwater's Board of Directors on August 7, 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.

(Tabular amounts are in thousands of Canadian dollars)

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 non-derivative financial liabilities to be recognized as FVTPL.

(Tabular amounts are in thousands of Canadian dollars)

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

June 29, 2019	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 19,052	$ -	$ -	**$ 19,052**	**$ 19,052**
Trade and other receivables	-	-	87,652	**87,652**	**87,652**
Long-term receivables	-	-	7,023	**7,023**	**7,023**
Derivative financial instruments	6,757	1,157	-	**7,914**	**7,914**
	$ 25,809	$ 1,157	$ 94,675	**$ 121,641**	**$ 121,641**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (74,418)	**$ (74,418)**	**$ (74,418)**
Long-term debt[2]	(2,223)	-	(489,200)	**(491,423)**	**(494,316)**
Derivative financial instruments	(3,452)	(286)	-	**(3,738)**	**(3,738)**
	$ (5,675)	$ (286)	$ (563,618)	**$ (569,579)**	**$ (572,472)**

[1] *Trade and other payables includes share-based compensation of $3.2 million which is not recorded at amortized cost.*

[2] *Long-term debt includes lease liabilities of $7.0 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 June 29, 2019 was $357.8 million (December 31, 2018 - $354.3 million) and the carrying value was $355.0 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.

(Tabular amounts are in thousands of Canadian dollars)

(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:

June 29, 2019	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 19,052	$ -	$ -
Derivative financial instruments	-	7,914	-
	$ 19,052	$ 7,914	$ -
Financial Liabilities:			
Derivative financial instruments	-	3,738	-
Earnout liability	-	-	2,223
	$ -	$ 3,738	$ 2,223

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 June 29, 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).

(Tabular amounts are in thousands of Canadian dollars)

Clearwater has forward contracts maturing each month until June 2020 and forward contracts related to the USD Notes maturing May 2022 (Note 6). At June 29, 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	6,875	1.241	7	$	439
Derivatives not designated as hedging instruments					
Euro	29,710	1.547	6		1,239
USD	29,229	1.328	7		630
Yen	940,700	0.0124	6		131
Euro - GBP	3,620	0.915	9		62
				$	2,501
Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	13,750	1.249	25	$	718
Derivatives not designated as hedging instruments					
Euro	4,815	1.552	15		102
USD	100,000	1.255	34		4,523
Yen	446,800	0.0126	15		65
Euro - GBP	330	0.917	12		5
					5,413
Total contracts in an asset position				$	7,914
Contracts in a current liability position					
Derivatives not designated as hedging instruments					
USD	57,935	1.294	3		(777)
Yen	2,345,200	0.0121	4		(354)
Euro - GBP	26,945	0.874	5		(1,189)
				$	(2,446)
Contracts in a non-current liability position					
Derivatives designated as hedging instruments					
USD	13,750	1.316	25	$	(160)
Derivatives not designated as hedging instruments					
USD	100,000	1.314	34		(950)
Yen	189,600	0.0123	14		(19)
Euro - GBP	4,960	0.891	15		(163)
					(1,292)
Total contracts in a liability position				$	(3,738)

(Tabular amounts are in thousands of Canadian dollars)

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)

(Tabular amounts are in thousands of Canadian dollars)

(c) (Gains) losses on derivative financial instruments

	13 weeks ended		26 weeks ended	
	June 29 2019	June 30 2018	**June 29 2019**	June 30 2018
Realized (gain) loss				
Forward foreign exchange contracts	**$ 237**	$ (1,253)	**$ (390)**	$ (2,550)
Change in unrealized (gain) loss				
Forward foreign exchange contracts	**(553)**	1,740	**(9,161)**	8,873
	$ (316)	$ 487	**$ (9,551)**	$ 6,323

- **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	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018
Forward foreign exchange contracts	**(923)**	1,279	**228**	(56)	-	-
Income tax recovery (expense)	**282**	(390)	**(69)**	17	-	-
Net gain (loss)	**$ (642)**	$ 889	**$ 159**	$ (39)	**$ -**	$ -

	Gain (loss) recognized in ACL		Gain (loss) reclassified from ACL to Net Finance Costs		Ineffectiveness recognized in Net Finance Costs	
	26 weeks ended		26 weeks ended		26 weeks ended	
Derivatives in cash flow hedging relationship	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018
Forward foreign exchange contracts	**(2,206)**	2,594	**119**	(128)	-	-
Income tax recovery (expense)	**673**	(791)	**(36)**	39	-	-
Net gain (loss)	**$ (1,534)**	$ 1,803	**$ 83**	$ (89)	**$ -**	$ -

(Tabular amounts are in thousands of Canadian dollars)

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

	13 weeks ended		26 weeks ended	
	June 29 2019	June 30 2018	**June 29 2019**	June 30 2018
Realized (gain) loss				
Long-term debt and working capital	**$ 534**	$ (1,811)	**$ 1,217**	$ (5,200)
Unrealized (gain) loss				
Long-term debt and working capital	**(4,151)**	9,917	**(10,141)**	19,444
Forward foreign exchange contracts	**1,832**	(3,988)	**7,010**	(6,559)
	(2,319)	5,929	**(3,131)**	12,885
	$ (1,785)	$ 4,118	**$ (1,914)**	$ 7,685

6. LONG-TERM DEBT

As at	**June 29 2019**	December 31 2018
Senior debt:		
USD senior unsecured notes, due May 2025 (USD $250,000)	**$ 321,969**	$ 333,955
Term loan B, due May 2022	**34,020**	34,177
Revolving credit facility, due May 2022	**93,195**	58,019
Deferred obligation	**16,331**	16,504
Earnout liability	**2,223**	3,513
Term loan, due September 2019 (a)	**13,126**	13,637
Term loan, due in 2091	**3,500**	3,500
Lease liabilities (b)	**6,976**	-
Other loans	**83**	112
Total Debt	**491,423**	463,417
Less: current portion [1]	**(23,604)**	(23,269)
Total Long-term Debt	**$ 467,819**	$ 440,148

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

There were no significant changes to long-term debt as at June 29, 2019, except as noted below. For details regarding long-term debt, refer to Note 13 in Clearwater's 2018 Annual Financial Statements.

(a) Term loan, due September 2019

The loan was renewed June 2019, extending maturity to September 2019. The loan is non-amortizing, repayable at maturity and bears interest payable monthly at 4.75% per annum. The Company expects the loan to be extended beyond 2019.

(Tabular amounts are in thousands of Canadian dollars)

(b) 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.

7. SHARE CAPITAL

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

Share capital movement:

As at		**June 29 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	**182,497**	**912**	886,110	4,548
Closing balance	**65,043,730**	**216,517**	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 (June 29, 2019 – 2.5 million remaining) for issuance under the share-based compensation plans and 3.0 million (June 29, 2019 – 1.9 million remaining) under the DRIP.

Subsequent to the end of the quarter, on August 7, 2019 the Board of Directors declared a quarterly dividend of CAD $0.05 per share payable on September 3, 2019 to shareholders of record as of August 19, 2019 for a total of approximately $3.3 million (excluding the impact of the DRIP).

8. EARNINGS (LOSS) PER SHARE

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

In thousands except number of shares and per share data	13 weeks ended **June 29 2019**	13 weeks ended June 30 2018	26 weeks ended **June 29 2019**	26 weeks ended June 30 2018
Earnings (loss) attributable to shareholders - basic and diluted	$ **8,011**	$ (923)	$ **16,289**	**$** (14,681)
Weighted average number of shares outstanding - basic	**65,031,433**	64,154,263	**64,937,350**	64,047,855
Adjustment for share-based compensation plan	**-**	105,504	**29,864**	52,752
Weighted average number of shares outstanding - diluted	**65,031,433**	64,259,767	**64,967,214**	64,100,607
Earnings (loss) per share				
Basic	**$ 0.12**	$ (0.01)	**$ 0.25**	$ (0.23)
Diluted	**$ 0.12**	$ (0.01)	**$ 0.25**	$ (0.23)

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

9. 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 **June 29 2019**	13 weeks ended June 30 2018	26 weeks ended **June 29 2019**	26 weeks ended June 30 2018
Scallops	**$** 42,053	$ 46,231	**$** 78,753	$ 83,372
Clams	29,215	29,417	53,823	53,529
Lobster	20,702	22,493	39,884	43,563
Coldwater shrimp	13,904	20,712	35,263	41,529
Crab	14,311	8,036	16,227	8,787
Langoustine	11,653	8,974	22,072	17,563
Whelk	11,016	10,917	15,500	16,248
Groundfish and other species	11,020	1,362	12,435	3,623
	$ 153,874	$ 148,142	**$ 273,957**	$ 268,214

(Tabular amounts are in thousands of Canadian dollars)

(b) Sales by Geographic Region of the Customer

	13 weeks ended		26 weeks ended	
	June 29 2019	June 30 2018	**June 29 2019**	June 30 2018
China	**$ 32,552**	$ 25,197	**$ 64,730**	$ 46,303
Japan	**16,029**	19,152	**30,259**	37,380
Other	**15,369**	12,762	**22,165**	20,487
Asia	**63,950**	57,111	**117,154**	104,170
Canada	**25,580**	19,111	**33,294**	28,103
United States	**19,350**	25,566	**36,639**	43,467
North America	**44,930**	44,677	**69,933**	71,570
France	**16,275**	20,925	**34,508**	40,279
UK	**7,370**	5,558	**13,419**	10,889
Scandinavia	**6,140**	7,469	**11,544**	17,869
Other	**15,202**	12,386	**27,386**	23,413
Europe	**44,987**	46,338	**86,857**	92,450
Other	**7**	16	**13**	24
	$ 153,874	$ 148,142	**$ 273,957**	$ 268,214

(c) Non-current Assets by Geographic Region

As at	**June 29 2019**	December 31 2018
Property, plant and equipment, licenses, fishing rights and goodwill		
Canada	**$ 298,751**	$ 306,565
Argentina	**9,614**	10,844
Scotland	**165,890**	168,653
Other	**526**	100
	$ 474,781	$ 486,162

10. CONTINGENT LIABILITIES

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

(Tabular amounts are in thousands of Canadian dollars)

11. ADDITIONAL CASH FLOW INFORMATION

	13 weeks ended		26 weeks ended	
Changes in operating working capital	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018
(Increase) decrease in inventory[1]	**$ (44,550)**	(27,169)	**$ (49,699)**	(28,700)
(Increase) decrease in trade and other receivables	**(12,993)**	(7,611)	**(6,171)**	10,999
(Increase) decrease in prepaids and other	**2,129**	2,754	**1,541**	(1,154)
Increase (decrease) in trade and other payables	**1,322**	9,453	**4,767**	(2,841)
Increase (decrease) in income taxes payable	**(819)**	(5,369)	**(1,250)**	(4,253)
	$ (54,911)	$ (27,942)	**$ (50,812)**	$ (25,949)

[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 12.

	13 weeks ended		26 weeks ended	
Changes in liabilities arising from financing activities	**June 29 2019**	June 30 2018	**June 29 2019**	June 30 2018
Current and long-term debt - beginning of period	**$ 460,908**	$ 478,975	**$ 463,417**	$ 473,173
Scheduled repayments of long-term debt	**(1,418)**	(1,459)	**(1,519)**	(1,561)
Repayment of lease liabilities	**(353)**	-	**(704)**	-
Net proceeds from (repayment of) revolving credit facility, net of financing costs	**37,468**	12,169	**34,850**	6,952
Non-cash changes in long-term debt:				
Accretion on deferred obligation	**305**	455	**617**	918
Fair market value adjustment on earnout liability	**47**	(270)	**132**	(657)
Amortization of deferred financing costs	**445**	428	**881**	832
Foreign exchange (gain) loss on long-term debt	**(6,815)**	5,029	**(14,180)**	15,670
Additions to lease liabilities	**836**	-	**836**	-
Lease liability transition adjustment[1]	**-**	-	**7,093**	-
Current and long-term debt - end of period	**$ 491,423**	$ 495,327	**$ 491,423**	$ 495,327

[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.

12. 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.