2020 FIRST QUARTER REPORT

REMARKABLE SEAFOOD, RESPONSIBLE CHOICE

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LETTER TO SHAREHOLDERS

- First quarter sales and adjusted EBITDA[1] were $100.3 million and $13.0 million respectively versus $120.1 million and $20.0 million in the prior year, largely due to the impact of COVID-19, primarily in Asia.

- Gross margin and adjusted EBITDA as a percentage of sales were 16.1% and 13.0% respectively in 2020 compared to 17.9% and 16.7% in 2019.

- Leverage[1] decreased to 4.6x compared to 4.7x in the first quarter of 2019.

- Return on assets[1] increased to 8.8% in 2020 compared to 7.7% in 2019.

- To support liquidity during the COVID-19 pandemic, the Board of Directors have temporarily suspended dividends and Clearwater successfully closed an amendment to its senior secured credit facility on May 13, 2020.

- The Company is moving forward with the formal strategic process to identify, review and evaluate a broad range of potential strategic alternatives.

First Quarter Results

I am truly proud, humbled by and grateful to our Clearwater employees who are leading with courage, integrity, responsibility and with their hearts. Through our Clearwater Cares program our employees are helping their neighbors and supporting frontline healthcare, emergency service providers and food banks in their communities. They are doing this on their own time and while working tirelessly to support a safe and reliable global food supply under extraordinary conditions.

We started 2020 with great momentum but, unfortunately, Clearwater was directly impacted in the first quarter as our Chinese customers faced the brunt of COVID-19 just before the start of Chinese New Year festivities. By early March, the impact of the global pandemic was being felt in all our markets across the globe with tragic human and challenging economic consequences. As a company, we took immediate and effective action to ensure the health and safety of our employees in our plants, offices and vessels by implementing stringent health and safety protocols. We moved quickly to align our operations to the rapidly changing market conditions while safeguarding our ability to harvest, process and reliably deliver food safely to our customers around the world. Concurrently, we cut all non-essential spending and capital expenditures to preserve cash for the remainder of the year and successfully secured an amendment to our credit facilities. We have taken these necessary steps with focus and discipline and are now well-positioned to weather the current economic conditions and take advantage of future growth opportunities as global seafood demand recovers.

Sales for the first quarter decreased to $100.3 million as compared to $120.1 million in the same period of 2019 and adjusted EBITDA was $13.0 million as compared to $20.0 million. Volume for several species, primarily in Asia, were adversely impacted by lower demand resulting from COVID-19. Traditional retail and on-line consumer demand is thriving in this difficult market, whereas foodservice customers and their supply chain have been seriously affected by the social distancing measures that began to be implemented globally in the first quarter.

The key species affected in the first quarter were lobster, clam, scallop, and langoustines. Lower demand was partially offset by lower harvesting costs for clam and premium sized scallops. Certain species, including FAS shrimp and whelk were not significantly impacted. Margins will continue to benefit from a revitalized fleet resulting in lower costs and higher value for certain harvested species, improvements in procurement strategies and continuous improvement programs to manage costs. Clearwater also expects to benefit from strong catch rates and lower fuel costs for the remainder of 2020.

Average foreign exchange rates realized on sales for the first quarter of 2020 had a net positive impact to sales of $0.7 million as compared to the same period in 2019.

Cash from operations was $4.0 million in the first quarter of 2020 as compared to $12.3 million for the same period of 2019. Free cash flow was ($9.8) million as compared to $4.6 million in the first quarter of 2019, primarily due to lower cash earnings, investments in working capital and capital expenditures. The measures that Clearwater has implemented will ensure continued generation of cash to support ongoing operations and mandatory capital expenditures.

Liquidity, Debt and Leverage

The Company's cash balance as at April 4, 2020 was $56.4 million with access to an additional $91.3 million through our undrawn, committed revolving credit facility. Leverage for the first quarter of 2020 was 4.6x compared to 4.7x for the same period of 2019. Leverage is based on trailing twelve-month adjusted EBITDA and has improved due to higher annualized adjusted EBITDA attributable to shareholders. Higher 2019 sales volume, revenue and margin expansion associated with strong harvesting conditions across multiple species was partially offset by an increase in debt in the first quarter of 2020. Net debt at the end of the quarter was $426.6 million.

Clearwater has strong access to liquidity and funding. Discipline and focus on cashflows from operations, working capital and capital expenditures will maintain liquidity for seasonal operations.

Dividends

On May 15, 2020, the Board of Directors suspended dividends for the balance of 2020 given the uncertainty related to the duration and impact of COVID-19. The dividend reinvestment program is also suspended.

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

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

As a vertically integrated seafood company, the impact to Clearwater of COVID-19 is complex. Customers, supply chain partners, operational protocols and employees are impacted.

Traditional retail and on-line consumer demand are benefiting whereas foodservice customers and their supply chains are experiencing interruption as a result of the social distancing measures implemented globally. As a business, Clearwater is considered an essential service in food production and continues to deliver seafood to customers globally.

Demand is expected to improve as governments begin to relax measures to control the spread of COVID-19. In the near term, we have responded to these circumstances by placing extra focus and attention on the expansion of global distribution, new packaging formats and increased promotional activity through channels and customers experiencing heightened demand (such as retail and e-commerce). Concurrently, efforts to prepare for the recovery of Clearwater sales in food service are ongoing.

Clearwater has taken immediate action in response to COVID-19 to ensure employee safety and security and business continuity including:

- Health screening protocols;
- Securing personal protective equipment for employees throughout our global supply chain;
- Implementing social distancing and enhanced cleaning protocols in our processing plants and on harvesting vessels;
- Supporting our essential workers with thank-you pay and adapting travel to and from harvest ports to maintain labour mobility; and
- Successfully transitioning approximately 98% of our office, sales and administrative staff to working remotely and in continued close coordination across three continents and 17 time zones.

Clearwater has strong access to liquidity and funding. Cashflow from operations and working capital will maintain liquidity for seasonal operations. Leverage is expected to increase in the near term as a direct impact of COVID-19.

While the short-term impact of COVID-19 has introduced additional forward-looking uncertainty, as a vertically integrated seafood company, with proprietary licences, advanced and year-round harvesting and processing capabilities, premium product quality, diversity of species, global sales and distribution footprint and an experienced, dedicated workforce, Clearwater is well-positioned to take advantage of future growth opportunities as global seafood demand recovers.

Clearwater's core strategies are built around these strengths, remain highly relevant and our long-term growth outlook beyond 2020 remains very positive.

Ian Smith
Chief Executive Officer
Clearwater Seafoods Incorporated
May 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") was prepared effective May 15, 2020.

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 2020 first quarter news release.

This MD&A should be read in conjunction with the 2020 first quarter interim consolidated Financial Statements, the 2019 annual consolidated Financial Statements, the 2019 annual MD&A and the 2019 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 as well as impacts of the COVID-19 pandemic and the resulting economic downturn.

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 seafood. 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 high quality, wide diversity, and reliable delivery of premium, wild, sustainable seafood, including scallops, lobster, clams, coldwater shrimp, langoustine, whelk, crab and groundfish with approximately 99 million pounds sold in 2019.

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, significant shellfish quota and licence holdings and global sales force combine to make Clearwater an industry leader in shellfish with sustainable competitive advantages.**

Clearwater 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 maintain 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.

Clearwater's **proven and experienced leadership team** continues to build upon its world class capabilities in quality assurance and control, 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.

Impact of COVID-19

Clearwater was directly impacted by COVID-19 in the first quarter of 2020 as our Asian customer base faced the implications of the growing pandemic through Chinese New Year. As a vertically integrated seafood company, the impact to Clearwater of COVID-19 is complex. Customers, supply chain partners, operational protocols and employees are impacted.

Traditional retail and on-line consumer demand are benefiting whereas foodservice customers and their supply chains are experiencing interruption as a result of the social distancing measures implemented globally. As a business, Clearwater is considered an essential service in food production and continues to deliver seafood to customers globally.

Demand is expected to improve as governments begin to relax measures to control the spread of COVID-19. In the near term, we have responded to these circumstances by placing extra focus and attention on the expansion of global distribution, new packaging formats and increased promotional activity through channels and customers experiencing heightened demand (such as retail and e-commerce). Concurrently, efforts to prepare for the recovery of Clearwater sales in food service are ongoing.

Clearwater has taken immediate action in response to COVID-19 to ensure employee safety and security and business continuity including:

- Health screening protocols;
- Securing personal protective equipment for employees throughout our global supply chain;
- Implementing social distancing and enhanced cleaning protocols in our processing plants and on harvesting vessels;
- Supporting our essential workers with thank-you pay and adapting travel to and from harvest ports to maintain labour mobility; and
- Successfully transitioning approximately 98% of our office, sales and administrative staff to working remotely and in continued close coordination across three continents and 17 time zones.

While the short-term impact of COVID-19 has introduced additional forward-looking uncertainty, Clearwater's purpose, core strategy and strategic plan remain unchanged.

2020 Strategic Update and Capability to Deliver Results

Clearwater's mission is to "build the world's most extraordinary, wild seafood company, dedicated to sustainable seafood excellence." We continue to execute against our six core business strategies delivering on our customer and consumer brand promise of "Remarkable Seafood, Responsible Choice".

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

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

Strategies

1. **Expanding access to supply** – Clearwater expands 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, supplier relationships, and long-term supply agreements.

2. **Target profitable & growing markets, channels & customers** – In the first quarter of 2020, global demand for seafood, primarily in foodservice, experienced a decline in many of Clearwater's major markets as a result of COVID-19. Preparing for market recovery, Clearwater continues to focus on distribution expansion for clam, langoustine, crab and whelk.

3. **Innovate and position products to deliver superior customer satisfaction and value** – As consumer purchase behavior has shifted in regions impacted by COVID-19, Clearwater and our distributor partners have deployed more retail and on-line delivery friendly packaging in both chilled and frozen seafood formats for several species.

4. **Increase margins by improving price realization and cost management** – Margins will continue to benefit from a revitalized fleet resulting in lower costs and higher value for certain harvested species, improvements in procurement strategies and continuous improvement programs to manage costs. Clearwater also expects to benefit from strong catch rates and lower fuel costs for the remainder of 2020.

5. **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. Clearwater's company-wide sustainability framework and participation in industry initiatives to advance science and sustainable management of fisheries were not impacted by COVID-19.

6. **Build organizational capability, capacity & engagement** – From ocean-to plate, Clearwater has an employee presence in eleven countries around the world, providing global access to markets and distribution channels. Clearwater has taken immediate action in response to COVID-19 to ensure employee safety and security and business continuity.

Capability to Deliver Results

Food and fisheries sectors are deemed essential services during COVID-19 and therefore Clearwater has taken the appropriate measures to minimize the impact on our operations to ensure we can continue to deliver seafood to our customers globally. Existing capabilities supporting these measures include:

1. **Access to supply** – Clearwater has, with our First Nations partners, maintained access to the full Arctic Surf Clam quota for 2020. Access to our key fisheries remains unaffected by COVID-19.

2. **Harvesting capability** – Our vessel fleet includes traditional and state-of-the-art factory vessels operating in Canada, the United Kingdom and Argentina. In response to COVID-19, health screening and enhanced cleaning protocols were implemented to ensure the safety of employees and the continuation of harvesting operations.

3. **Liquidity and capital resources** – At the end of the first quarter of 2020, the Company's cash balance was $56.4 million, with access to an additional $91.3 million through an undrawn, committed revolving credit facility. Approximately 96% of Clearwater's long-term debt matures in 2024 or thereafter.

   Clearwater has strong access to liquidity and funding. Discipline and focus on cashflows from operations, working capital and capital expenditures will maintain liquidity for seasonal operations.

EXPLANATION OF FINANCIAL RESULTS

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

Key performance indicators and financial measures

In 000's of Canadian dollars		13 weeks ended April 4 2020		March 30 2019
Profitability				
Sales	**$**	**100,341**	$	120,083
Sales growth (decline)		**(16.4%)**		0.0%
Gross margin	**$**	**16,144**	$	21,551
Gross margin (as a % of sales)		**16.1%**		17.9%
Adjusted EBITDA[1,2]	**$**	**13,048**	$	20,033
Adjusted EBITDA[1,2] (as a % of sales)		**13.0%**		16.7%
Adjusted EBITDA attributable to shareholders[1,2]	**$**	**10,315**	$	16,297
Adjusted EBITDA attributable to shareholders[1,2] (as a % of sales)		**10.3%**		13.6%
Earnings (loss) attributable to shareholders	**$**	**(34,469)**	$	8,278
Basic earnings (loss) per share	**$**	**(0.53)**	$	0.13
Diluted earnings (loss) per share	**$**	**(0.53)**	$	0.13
Adjusted earnings (loss) attributable to shareholders[1,2]	**$**	**(6,327)**	$	(1,034)
Adjusted earnings (loss) attributable to shareholders[1] per share	**$**	**(0.10)**	$	(0.02)
Cash Flows and Leverage				
Cash from (used in) operating activities	**$**	**4,043**	$	12,312
Cash from (used in) financing activities	**$**	**28,998**	$	(5,861)
Cash from (used in) investing activities	**$**	**(10,044)**	$	(5,963)
Free cash flows[1]	**$**	**(9,840)**	$	4,616
Leverage[1,3]		**4.6x**		4.7x
Returns				
Return on assets[1,4]		**8.8%**		7.7%
Total assets		**750,782**		726,204

[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.
[4] Return on assets is calculated as twelve month rolling adjusted earnings before interest and taxes to total average quarterly assets.

First quarter key highlights

The following are key highlights and developments based on Clearwater's KPIs and Financial Measures for the first quarter of 2020.

Profitability
First quarter sales decreased $19.7 million or 16.4% and adjusted EBITDA decreased $7.0 million as compared to the prior year.

- Adjusted EBITDA as a percentage of sales decreased 370 basis points from 16.7% to 13.0% in first quarter 2020 reflecting the direct impact of COVID-19 on product demand, primarily in Asia, across multiple species.
- The key species affected were lobster, clam, scallop and langoustines. Lower demand was partially offset by lower harvesting costs for clam and premium sized scallops. Certain species, including FAS shrimp and whelk were not significantly impacted.
- Sales to Asia decreased 26.8% in the first quarter of 2020 as compared to the same period in 2019 as the impacts of COVID-19 were experienced early 2020.
- Earnings attributable to shareholders decreased $42.7 million in the first quarter of 2020 compared to 2019, primarily due to changes in unrealized losses on derivative contracts and lower margin.
- Adjusted earnings attributable to shareholders decreased $5.3 million in the first quarter of 2020 as compared to the same period in 2019 due to lower margin partially offset by higher realized foreign exchange gains on working capital.

Cash flows and leverage
Leverage improved modestly to 4.6x compared to 4.7x in the first quarter of 2020. Cash from operations decreased $8.3 million in the first quarter as compared to the same period of 2019.

- Leverage is based on trailing twelve-month adjusted EBITDA and has improved due to higher annualized adjusted EBITDA attributable to shareholders. Higher 2019 sales volume, revenue and margin expansion associated with strong harvesting conditions across multiple species was partially offset by an increase in debt related to lower profits in the first quarter of 2020.
- Free cashflow decreased $14.5 million over the same period of 2019 primarily due to lower cash earnings, investment in working capital and capital expenditures.
- On May 15, 2020, the Board of Directors suspended dividends for the balance of 2020 given the uncertainty related to the duration and impact of COVID-19.
- On May 13, 2020, Clearwater successfully closed an amendment to its senior secured credit facility.

Returns
Return on assets[1] increased to 8.8% for the first quarter of 2020 as compared to 7.7% in the prior year primarily due to higher annualized EBIT. Higher EBIT in 2019 was due to strong harvesting conditions for most species and sales mix in 2019.

Developments

COVID-19 Pandemic
The novel coronavirus known as COVID-19 surfaced in late 2019 and has since been declared a global pandemic. Efforts to contain the outbreak have significantly changed our daily lives and disrupted the global economy. *Refer to Risks and Uncertainties* for further information related to Clearwater's operations.

New joint venture
On January 15, 2020, Clearwater entered into an agreement to form a new joint venture which will take over the operations of St. Anthony Seafoods Limited Partnership plant. Closing of the transaction is subject to regulatory approval and customary conditions.

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

EXPLANATION OF CHANGES IN EARNINGS

Overview

The condensed interim consolidated statement of earnings (loss) reflects the results of Clearwater for the 13 weeks ended April 4, 2020 and March 30, 2019. For supplemental non-IFRS measures, refer to discussion on non-IFRS measures in the non-IFRS measures, definitions and reconciliations section of this interim MD&A. Detailed discussion on the components of consolidated earnings (loss) follows.

In 000's of Canadian dollars	**April 4 2020**	March 30 2019	Change
Sales	**$ 100,341**	$ 120,083	$ (19,742)
Cost of goods sold	**84,197**	98,532	(14,335)
Gross margin	**16,144**	21,551	(5,407)
Gross margin as a % of sales	***16.1%***	*17.9%*	*(1.8%)*
Operating expenses			
Administrative and selling	**12,124**	13,507	(1,383)
Restructuring costs	**1,776**	-	1,776
Net finance costs	**6,912**	7,811	(899)
(Gains) losses on derivative financial instruments	**19,596**	(9,235)	28,831
Foreign exchange (gains) losses on long-term debt and working capital	**4,541**	(129)	4,670
Other (income) expense	**(374)**	(625)	251
Research and development	**451**	74	377
	45,026	11,403	33,623
Earnings (loss) before income taxes	**(28,882)**	10,148	(39,030)
Income tax (recovery) expense	**2,651**	(636)	3,287
Earnings (loss)	**$ (31,533)**	$ 10,784	$ (42,317)
Earnings (loss) attributable to:			
Non-controlling interest	**$ 2,936**	$ 2,506	$ 430
Shareholders of Clearwater	**(34,469)**	8,278	(42,747)
	$ (31,533)	$ 10,784	$ (42,317)
Adjusted EBITDA attributed to:			
Non-controlling interests	**$ 2,733**	$ 3,736	$ (1,003)
Shareholders of Clearwater	**10,315**	16,297	(5,982)
Adjusted EBITDA (1)	**$ 13,048**	$ 20,033	$ (6,985)

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

Sales by species

In 000's of Canadian dollars	April 4 2020	March 30 2019	Change
Scallops	**$ 32,414**	$ 36,700	$ (4,286)
Clams	**18,953**	24,608	(5,655)
Coldwater shrimp	**17,773**	21,360	(3,587)
Lobster	**13,180**	19,182	(6,002)
Langoustine	**7,564**	10,418	(2,854)
Whelks	**5,805**	4,484	1,321
Crab	**1,323**	1,916	(593)
Ground fish and other shellfish	**3,329**	1,415	1,914
	$ 100,341	$ 120,083	$ (19,742)

Sales by region

In 000's of Canadian dollars	April 4 2020	March 30 2019	Change
Europe	**$ 40,049**	$ 41,870	$ (1,821)
China	**17,296**	32,178	(14,882)
Japan	**13,623**	14,230	(607)
Other Asia	**8,035**	6,796	1,239
Asia	**38,954**	53,204	(14,250)
United States	**14,881**	17,289	(2,408)
Canada	**6,453**	7,714	(1,261)
North America	**21,334**	25,003	(3,669)
Other	**4**	6	(2)
	$ 100,341	$ 120,083	$ (19,742)

Clearwater reported sales for the first quarter of 2020 of $100.3 million as compared to $120.1 million for the same period in 2019.

Volume for several species, primarily in Asia, decreased by lower demand resulting from COVID-19. The key species affected were lobster, clam, scallop and langoustines. Lower demand was partially offset by lower harvesting costs for clam and premium sized scallops. Certain species, including FAS shrimp and whelk were not significantly impacted.

Average foreign exchange rates realized on sales for the first quarter of 2020 had a net positive impact to sales of $0.7 million as compared to the same period of the prior year.

Scallops

- Demand for some scallop species weakened as social distancing protocols implemented in key markets reduced sales in the foodservice segment, primarily in the latter part of the quarter as COVID-19 became widely spread. Retail sales increased as consumers turned to this segment to fulfill their needs.
- Timing of landings contributed to the reduction in sales volumes.

Clams

- Sales mix was unfavourable in the first quarter of 2020 as compared to the same period in 2019.
- Clams sales volumes were lower over prior year as COVID-19 spread throughout our key markets and negatively impacted the foodservice segment resulting in lower demand.
- E-commerce sales increased in response to the shift in consumer behaviour.

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

Coldwater shrimp

- Coldwater shrimp sales decreased in the first quarter of 2020 as compared to the same period in 2019 due to timing of landings of FAS shrimp.
- An increase in global supply impacted pricing for certain sizes and formats in late 2019 which has continued into 2020.
- Demand has been steady for this product.

Lobster

- Market demand declined, impacted by social distancing as Clearwater's primary market for lobster is foodservice.
- Selling prices have been impacted by reduced demand.

Langoustine

- Langoustine sales volumes decreased in the first quarter of 2020 as compared to the same period in 2019 due to market conditions in the foodservice segment.
- Selling prices were impacted by lower market prices.

Crab

- Crab sales declined in the first quarter of 2020 as compare to the same period in 2019. Sales volumes were steady while price was impacted by lower market prices and an unfavorable sales mix.

Whelk

- Sales increased in the first quarter of 2020 as compared to the same period of 2019 due to increased availability of supply.

Groundfish and other

- Sales increased in the first quarter of 2020 as compared to the same period of 2019 due to timing of landings of turbot and the introduction of sea cucumber in the last half of 2019.

Europe

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

Sales for the first quarter of 2020 declined $1.8 million to $40.0 million as compared to the same period of 2019.

The decline in sales was primarily the result of lower sales volume of smaller sized scallops due to timing of landings. Demand remained strong for these scallops as they are often consumed in ready-to-eat meals. Sales benefited from strong demand for Clearwater's premium frozen-at-sea scallops and a regional shift of FAS shrimp from Asia markets into Europe.

The Euro, DKK and GBP weakened in the first quarter of 2020 as compared to the same period in 2019 resulting in a net negative impact of $0.4 million.

China

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

Sales for the first quarter of 2020 decreased $14.9 million to $17.3 million as compared to the same period of 2019. Market demand for multiple species, including lobster, clam, scallop and FAS shrimp was negatively impacted by COVID-19, primarily in the foodservice segment.

1 – Refer to discussion on risks and uncertainties

Sales in China are almost exclusively transacted in US dollars. First quarter sales of 2020 were positivity impacted by average foreign exchange rates as compared to the same period of the prior year by $0.5 million.

Japan

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

Sales for the first quarter of 2020 decreased $0.6 million to $13.6 million as compared to the same period in 2019. The decrease was primarily the result of a regional shift of FAS shrimp sales to Europe, partially offset by the timing of landings for turbot and favorable sales mix for clam.

Sales in Japan are typically transacted in Yen. The Yen strengthen in the first quarter as compared to the prior year resulting in a net positive impact of $0.4 million.

Other Asia

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

Sales for the first quarter of 2020 increased $1.2 million to $8.0 million as compared to the same period in 2019 primarily as a result of an increase in available supply and the timing of whelk sales.

United States

Primary species are scallops, lobster and clams.

Sales for the first quarter of 2020 decreased $2.4 million to $14.9 million as compared to the same period in 2019 primarily due to lower langoustines sales and the availability of supply for smaller sized scallops, partially offset by higher sales volumes for premium sized scallops early in the quarter.

Sales for the first quarter of 2020 were positively impacted by $0.2 million favourable average foreign exchange as compared to the same period in the prior year.

Canada

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

Sales for the first quarter of 2020 decreased $1.3 million to $6.5 million as compared to the same period in 2019 due to timing of landings of FAS shrimp and reduced market demand for lobster.

Average foreign exchange rates realized on sales

For the first quarter of 2020, favourable foreign exchange rates for USD and YEN were partially offset by unfavorable foreign exchange rates for Euro, DKK and GBP as compared to the same period of 2019, positively impacting sales by $0.7 million.

	April 4, 2020		March 30, 2019	
Currency	**% sales**	**Average rate realized [1]**	% sales	Average rate realized[1]
US dollars	**38.6%**	**1.358**	43.1%	1.331
Euros	**23.3%**	**1.492**	24.0%	1.506
Canadian dollar and other	**9.5%**	**-**	9.8%	-
UK pounds	**12.0%**	**1.717**	9.6%	1.734
Japanese Yen	**11.2%**	**0.0125**	9.8%	0.0121
Danish Kroner	**5.4%**	**0.197**	3.7%	0.202
	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 decreased in the first quarter of 2020 by $14.3 million as compared to the same period of 2019 primarily due to lower sales volumes across multiple species, partially offset by strong harvest conditions and landings. As a percentage of sales, cost of goods sold increased 100 basis points as compared to the same period of 2019.

Harvesting and procurement include all costs incurred in the operation of the vessels including labour, fuel, repairs and maintenance, fishing gear, supplies, other costs and fees plus procured raw material costs for lobster, shrimp, scallops, crab, langoustine and whelk.

Gross margin

Gross margin for the first quarter was $16.1 million as compared to $21.6 million in the same period of 2019. Gross margin as a percentage of sales was 16.1% as compared to 17.9% in the prior year.

Gross margin decreased primarily due to lower demand for higher value species in clam, scallop and langoustines as the foodservice segment contracted in many of Clearwater's global markets to accommodate social distancing protocols. This was partially offset by lower harvesting costs for clam and certain size scallops.

Margins include the cost of preventative measures implemented to ensure the safety of our employees and the write-down in value of inventory intended for channels closed due to COVID-19.

Average foreign exchange rates realized on sales had a net positive impact to gross margin of $0.7 million in the first quarter of 2020 as compared to the same period of 2019.

Operating expenses

In 000's of Canadian dollars		**April 4 2020**		March 30 2019		Change
Salaries and benefits	**$**	**9,410**	$	10,241	$	(831)
Share-based compensation		**15**		126		(111)
Employee compensation		**9,425**		10,367		(942)
Consulting and professional fees		**3,086**		3,401		(315)
Other[1]		**2,852**		3,232		(380)
Allocation to cost of goods sold[2]		**(3,239)**		(3,493)		254
Administrative and selling	**$**	**12,124**	$	13,507	$	(1,383)
Restructuring costs		**1,776**		-		1,776
Operating expenses	**$**	**13,900**	$	13,507	$	393

[1] Other includes, but is not limited to, selling costs, travel and occupancy, gains and losses on assets, depreciation on corporate assets and donations.

[2] Allocation 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 $0.4 million for the first quarter of 2020 as compared to the same period of 2019 due to non-recurring restructuring costs, partially offset by lower employee compensation and consulting costs.

In the first quarter of 2020, Clearwater completed an organizational restructuring within land-based operations to improve global integration, accelerate innovation and quality improvements and achieve efficiencies within the supply chain.

Net finance costs

In 000's of Canadian dollars		April 4 2020	March 30 2019	Change
Interest and bank charges	$	**6,324** $	7,063 $	(739)
Amortization of deferred financing charges		**429**	436	(7)
		6,753	7,499	(746)
Accretion on deferred consideration		**159**	312	(153)
	$	**6,912** $	7,811 $	(899)

Net finance costs decreased $0.9 million in the first quarter of 2020 as compared to the same period in 2019. Interest and bank charges decreased $0.7 million due to lower average revolving debt balances and lower interest rates on variable rate debt offset by strengthening USD relative to the CDN dollar impacting interest on the USD senior unsecured notes.

(Gains) losses on derivative financial instruments

In 000's of Canadian dollars		April 4 2020		March 30 2019		Change
Realized (gain) loss						
Forward foreign exchange contracts	$	**(512)**	$	(627)	$	115
Changes in unrealized gains & losses						
Forward foreign exchange contracts		**20,108**		(8,608)		28,716
	$	**19,596**	$	(9,235)	$	28,831

Clearwater is primarily an export company with more than 90% of our sales denominated 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 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 and losses on forward foreign exchange contracts are dependent on the average contracted rates relative to the foreign exchange rate on the settlement date.

Unrealized gains and losses on forward foreign exchange contracts are dependent on the average contracted rates as compared to forward rates based on maturity. Refer to *Foreign Exchange Management* for information regarding Clearwater's economic hedging program.

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

In 000's of Canadian dollars		April 4 2020		March 30 2019		Change
Realized (gain) loss						
Long-term debt and working capital	$	**(769)**	$	683	$	(1,452)
Changes in unrealized (gains) losses						
Long-term debt and working capital		**27,634**		(5,990)		33,624
Forward exchange contracts on long-term debt		**(22,324)**		5,178		(27,502)
		5,310		(812)		6,122
	$	**4,541**	$	(129)	$	4,670

Realized foreign exchange gains on long-term debt and working capital was $0.8 million in the first quarter of 2020 as compared to an unrealized loss of $0.7 million in 2019. Average foreign exchange rates for USD and EUR strengthen relative to the Canadian dollar in the first quarter of 2020, resulting in favourable working capital settlements.

Changes in unrealized foreign exchange gains and losses on long-term debt and working capital decreased $33.6 million in the first quarter of 2020 as compared to the same period in 2019. The unrealized losses are primarily due to long-term debt denominated in USD translated into Canadian dollars at the period-end spot rate.

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

Other (income) expense

In 000's of Canadian dollars		April 4 2020		March 30 2019		Change
Share of (earnings) loss of equity-accounted investee	$	**(511)**	$	(1,083)	$	572
Fair value adjustment on earn-out liability		**45**		85		(40)
Other (income) fees		**92**		373		(281)
	$	**(374)**	$	(625)	$	251

Other income decreased in the first quarter by $0.3 million in 2020 as compared to the same period of 2019 primarily due to lower equity income as a result of lower catch rates.

Research and development

Research and development relates to new harvesting, processing and storage technology and research into ocean habitats and fish stocks. Research and development can vary year to year depending on the scope, timing and volume of research completed and the number of initiatives shifting into deployment phase.

Income taxes

Income taxes primarily relate to taxable subsidiaries in Argentina, the United States, the United Kingdom and Canada. Clearwater's consolidated effective tax rate is impacted by non-controlling interests in partnerships in which the income is taxed in the hands of the non-controlling interest partners.

Income tax expense increased $3.3 million in the first quarter as compared to the same period in 2019.

Current tax expense decreased $0.5 million in the first quarter primarily due to income in foreign tax jurisdictions and related foreign exchange impacts.

Deferred tax expense increased $3.8 million in the first quarter. 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.

Earnings (loss) attributable to shareholders

Earnings attributable to shareholders decreased $42.7 million in the first quarter of 2020 as compared to the same period in 2019. The decrease is largely due to changes in unrealized losses on derivative financial instruments of $28.7 million and lower gross margin of $5.4 million. Changes in unrealized losses on derivative financial instruments reflects the changes in forward foreign exchange contracts, relative to the forward rate.

Earnings attributable to non-controlling interest

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

The increase in earnings attributable to non-controlling interest of $0.4 million for the first quarter of 2020 relates primarily to change in unrealized foreign exchange on long-term debt and working capital.

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

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

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 $5.3 million in the first quarter of 2020 as compared to the same periods in 2019 as a result of lower gross margin partially offset by realized foreign exchange gains on working capital.

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

CAPITAL STRUCTURE AND LIQUIDITY

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

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

The following are key elements of our capital strategy:

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

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

Capital structure

Clearwater's capital structure includes a combination of equity and various types of debt facilities. Clearwater uses leverage, in particular USD senior unsecured notes, revolving and term debt to lower its cost of capital.

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

Clearwater's capital structure was as follows as at April 4, 2020 and December 31, 2019:

In 000's of Canadian dollars		**2020**		2019
Equity				
Share capital	**$**	**217,081**	$	216,986
Contributed surplus		**4,476**		4,164
Deficit		**(47,910)**		(10,155)
Accumulated other comprehensive income (loss)		**(35,133)**		(40,213)
		138,514		170,782
Non-controlling interest		**15,131**		16,668
Total Equity		**153,645**		187,450
Long-term debt				
Senior debt, non-amortizing				
USD senior unsecured notes, due 2025[1]		**349,602**		319,059
Revolving debt, due in 2024[2]		**103,741**		66,183
Term loan, due in 2091		**3,500**		3,500
		456,843		388,742
Senior debt, amortizing				
Term Loan B, due 2024[3]		**33,734**		33,879
Other loans		**43**		57
		33,777		33,936
Lease liabilities[4]		**6,426**		6,680
Deferred obligation[5]		**8,729**		8,471
Earnout liability[5]		**2,505**		2,431
Total long-term debt		**508,280**		440,260
Total capital	**$**	**661,925**	$	627,710

1. USD senior unsecured notes with a US dollar coupon rate of 6.875% are net of unamortized deferred financing charges of $5.8 million .

2. The revolving debt is net of unamortized deferred financing charges of $1.8 million. As of April 4, 2020, subject to financial covenants, Clearwater may borrow up to an additional CDN $91.3 million on the undrawn facility.

3. Term Loan B is net of unamortized deferred financing charges of $0.2 million.

4. Lease liabilities represent the present value of remaining lease payments discounted using the Company's weighted average incremental borrowing rate.

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

Equity

In 2020, Clearwater has issued no common shares under its share-based compensation plans.

Clearwater reserved 2.5 million common shares (April 4, 2020 - 2.4 million remaining) for issuance under the share-based compensation plans and 3.0 million (April 4, 2020 - 1.9 million remaining) under the dividend reinvestment plan.

There are 65,148,148 shares outstanding as of April 4, 2020 (December 31, 2019 - 65,128,253).

Long-term debt

As at April 4, 2020 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 1.2826 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 2024 (the "Senior Secured Credit Facilities"). 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;

- A term loan maturing in 2091 with recourse limited to the asset financed; and

- Lease liabilities equal the present value of remaining lease payments discounted at Clearwater's incremental borrowing rate. 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 April 4, 2020 is £5.2 million (CDN $9.1 million) (December 31, 2019 - £5.2 million (CDN $9.0 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 2016 through 2019 resulting in payments of £5.2 million each year.

- 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 April 4, 2020 is £1.4 million (CDN - $2.5 million) (December 31, 2019 - £1.4 million, CDN - $2.4 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 71% percent of its debt as at April 4, 2020.

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.

Clearwater's financial results and operations have been negatively impacted by COVID-19. We expect COVID-19 to have future impacts, including but may not be limited to risks and uncertainty related to shifts in demand between sales channels and regions, our ability to operate production facilities, and workforce availability in our supply chain. As the duration and recovery trend is unknown, as part of the Company's financial risk mitigation strategy, the Company has arranged for amendments to the financial covenants of its senior credit facilities as noted below. We closely manage our working capital and inventory and remain focused on cash collection.

On May 13, 2020, the Company successfully closed an amendment to its senior secured credit facility to increase its total leverage covenant for the remaining quarters of 2020. This is expected to provide adequate access to liquidity, given near-term consumer demand uncertainty from COVID-19. We expect to remain cash flow positive for the fiscal year and in-compliance with our debt covenants.

In February 2020, Clearwater successfully extended the maturity date of its senior secured credit facility and have no loan or bond maturities before November 2024.

As of April 4, 2020, Clearwater had $56.4 million in cash, and $91.3 million available to draw down on its revolving facility.

In 000's of Canadian dollars

As at	**April 4 2020**	March 30 2019	March 31 2018
Cash	$ **56,354**	$ 35,951	$ 37,367
Availability on revolving credit facility	**91,256**	57,888	83,461
Sources of liquidity	**147,610**	93,839	120,828

Leverage[1]

Leverage as at April 4, 2020 was 4.6x compared to 4.7x for the same period in 2019 and 4.1x as at December 31, 2019. Leverage is based on trailing twelve-month adjusted EBITDA and has improved due to higher annualized adjusted EBITDA attributable to shareholders. Higher 2019 sales volume, revenue and margin expansion associated with strong harvesting conditions across multiple species was partially offset by an increase in debt in the first quarter of 2020.

In 000's of Canadian dollars

As at		**April 4 2020**	December 31 2019		March 30 2019		March 31 2018
Adjusted EBITDA[1] attributable to shareholders	$	**93,264**	99,245	$	89,537	$	88,289
Net Debt[2,3,4] (excluding non-controlling interest)		**426,620**	411,360		419,007		443,180
Leverage		**4.6x**	4.1x		4.7x		5.0x

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

[2] Lease liabilities of $7.1 million were recognized upon adoption of IFRS 16 effective January 1, 2019.

[3] Debt is net of unamortized deferred financing charges of $7.8 million (December 31, 2019 - $7.2 million; March 30, 2019 - $8.7 million; March 31, 2018 - $10.0 million).

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

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

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

Foreign Exchange Management

Clearwater has a foreign exchange risk management program which limits cash flow volatility arising from foreign currency cash flows. Clearwater currently uses forward contracts to lock in foreign exchange rates for anticipated sales (up to 24 months) and long-term debt related hedges (through to 2022). A reduction in volatility from currency exposures improves earnings predictability.

As of April 4, 2020, Clearwater had forward exchange contracts outstanding:

Currency	Forecasted transaction	Notional (millions)	Average rate
USD to CDN	Sales	120.7	1.3340
Yen to CDN	Sales	3,196.8	0.0126
Euro to CDN	Sales	32.6	1.4994
Euro to GBP	Sales	30.0	0.8789
CDN to USD	Debt	234.4	1.2841

Refer to the section entitled *Risks and Uncertainties*.

REVIEW OF CASH FLOWS

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

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

In 000's of Canadian dollars		13 weeks ended April 4 **2020**		March 30 2019
Cash from (used in) operating activities	**$**	**4,043**	$	12,312
Cash from (used in) financing activities		**28,998**		(5,861)
Cash from (used in) investing activities		**(10,044)**		(5,963)
Free cash flow[1,2]	**$**	**(9,840)**	$	4,616
Supplemental cash flow information				
Changes in working capital	**$**	**(1,779)**	$	4,099
Decrease (increase) in inventory		**(3,745)**		(5,150)
(Decrease) increase in accounts payable		**(14,716)**		3,445
Decrease (increase) in accounts receivable		**22,260**		6,823
Decrease (increase) in prepaids		**(5,307)**		(588)
(Decrease) increase in income tax payable		**(271)**		(431)
Purchase of property, plant and equipment	**$**	**(10,719)**	$	(6,575)
Cash dividends paid on common shares[3]	$	**(3,191)**	$	-

[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] Net of the dividend reinvestment plan.

Cash flow from Operating Activities

Cash from operations decreased $8.3 million in the first quarter of 2020 as compared to the same period of 2019 primarily due to lower EBITDA and timing of accounts payable, partially offset by a decrease in receivables due to timing of sales.

Cash flow from Financing Activities

Cash from financing activities increased $34.9 million in the first quarter as compared to the same period of 2019. Drawings on the revolving credit facility, net of an increase in cash balances, increased $19.5 million primarily due to lower adjusted EBITDA, offset by timing of working capital and dividend payments. Distributions to non-controlling interests were $1.9 million higher in the first quarter of 2020 as compared to 2019.

Cash Flow from Investing Activities

Cash used in investing activities increased $4.1 million in the first quarter compared to the same periods in 2019. The increase was primarily due to higher capital expenditures.

Free Cash Flow[1]

Free cash flow for first quarter 2020 decreased $14.5 million as compared to the same period of 2019. The decrease in the first quarter was due to lower cash earnings, increased investment in working capital and higher capital expenditures.

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 2020, Clearwater will continue to invest in capital projects relating to vessel refits and land-based supply chain infrastructure.

Dividends

On May 15, 2020, the Board of Directors suspended dividends for the balance of 2020 given the uncertainty related to the duration and impact of COVID-19. The dividend reinvestment program is also suspended.

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 favourable tax treatment applicable to such dividends.

OUTLOOK

Clearwater was directly impacted by COVID-19 in the first quarter of 2020 as our Asian customer base faced the implications of the growing pandemic through Chinese New Year. As a vertically integrated seafood company, the impact to Clearwater of COVID-19 is complex. Customers, supply chain partners, operational protocols and employees are impacted.

Traditional retail and on-line consumer demand are benefiting whereas foodservice customers and their supply chains are experiencing interruption as a result of the social distancing measures implemented globally. As a business, Clearwater is considered an essential service in food production and continues to deliver seafood to customers globally.

Demand is expected to improve as governments begin to relax measures to control the spread of COVID-19. In the near term, we have responded to these circumstances by placing extra focus and attention on the expansion of global distribution, new packaging formats and increased promotional activity through channels and customers experiencing heightened demand (such as retail and e-commerce). Concurrently, efforts to prepare for the recovery of Clearwater sales in food service are ongoing.

Clearwater has taken immediate action in response to COVID-19 to ensure employee safety and security and business continuity including:

- Health screening protocols;
- Securing personal protective equipment for employees throughout our global supply chain;
- Implementing social distancing and enhanced cleaning protocols in our processing plants and on harvesting vessels;
- Supporting our essential workers with thank-you pay and adapting travel to and from harvest ports to maintain labour mobility; and
- Successfully transitioning approximately 98% of our office, sales and administrative staff to working remotely and in continued close coordination across three continents and 17 time zones.

Clearwater has strong access to liquidity and funding. Discipline and focus on cashflows from operations, working capital and capital expenditures will maintain liquidity for seasonal operations. Leverage is expected to increase in the near term as a direct impact of COVID-19.

While the short-term impact of COVID-19 has introduced additional forward-looking uncertainty, as a vertically integrated seafood company, with proprietary licences, advanced and year-round harvesting and processing capabilities, premium product quality, diversity of species, global sales and distribution footprint and an experienced, dedicated workforce, Clearwater is well-positioned to take advantage of future growth opportunities as global seafood demand recovers.

Clearwater's core strategies are built around these strengths, remain highly relevant and our long-term growth outlook beyond 2020 remains very positive.

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 outbreak of COVID-19 surfaced in late 2019 and has since been declared a global pandemic. Actions to contain the outbreak have significantly disrupted the global economy. This pandemic has increased Clearwater's exposure to risk factors last updated in the 2019 Annual Information Form, including:

- Suppliers, customers and competition: Measures taken by governments and public health organizations around the world to contain the disease have resulted in reduced demand for our products, specifically in the foodservice segment and impacted our regular distribution channels

- Business interruption, labour, employee safety and political risk: An outbreak in a community or facility where Clearwater or key suppliers operate or the government has imposed border controls could impact workforce availability and result in plant closures, an inability to harvest and/or disrupt our supply chain.

- Capital availability and liquidity: The impact of reduced demand could cause strain on our available liquidity.

As an essential service in the global food supply chain, Clearwater has taken immediate action to ensure employee safety and security and business continuity and to mitigate any financial or business risk. To support our workforce, Clearwater:

- Secured personal protective equipment for employees throughout our global supply chain;
- Implemented health screening protocols and proactive self-isolation requirements;
- Implemented social distancing and enhanced cleaning protocols in our processing plants and on harvesting vessels;
- Supported our essential workers with thank-you pay and adapting travel to and from harvest ports to maintain labour mobility;
- Transitioned approximately 98% of our office staff to remote working; and
- Promoted employee wellbeing with flexibility in work arrangements, enhanced communications and employee supports such as our employee assistance program.

COVID-19 has negatively impacted Clearwater's financial results and operations. As the duration and recovery trend is unknown, it is not possible to reliably estimate the impact to Clearwater's customers, supply chain partners, operations and employees.

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.

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.

<u>Disclosure controls and internal controls over financial reporting</u>

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 April 4, 2020 that have materially affected, or are reasonably likely to materially affect, Clearwater's ICFR.

<u>Adoption of new and revised standards</u>

New and amended accounting policies

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Estimates and Errors

Effective January 1, 2020, the Company has adopted the amendments in *Definition of Materia*l (amendments to IAS 1 and IAS 8) as issued by the International Accounting Standards Board ("IASB"). The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and aligns the definition used within the IFRS Standards. The application of the amendment has been made on a prospective basis and did not have an impact on Clearwater.

IFRS 3 – Business Combinations

Effective January 1, 2020, the Company has applied the amendments to IFRS 3 which narrow and clarify the definition of a business. IFRS 3 introduces an optional simplified initial assessment of whether an acquired group of assets is a single identifiable group of assets, rather than a business which if applicable, eliminates the requirement for a detailed assessment of the definition. The application of the amendment has been made on a prospective basis and did not have an impact on Clearwater.

New accounting standards not yet adopted

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

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements* providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied retrospectively, with early adoption permitted. Clearwater is currently evaluating the financial impact of the amendments and expects to apply the amendments at the effective date.

SUMMARY OF QUARTERLY RESULTS

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

In 000's of Canadian dollars	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2020				
Sales	$ 100,341	$ -	$ -	$ -
Adjusted EBITDA[1]	13,048	-	-	-
Adjusted EBITDA attributable to shareholders[1]	10,315	-	-	-
Earnings (loss) attributable to shareholders	(6,326)	-	-	-
Earnings (loss) per share	(0.53)	-	-	-
Diluted earnings (loss) per share	(0.53)	-	-	-
Weighted average shares outstanding[2]	65,129,091	-	-	-
Fiscal 2019				
Sales	$ 120,082	$ 153,874	$ 175,200	$ 167,085
Adjusted EBITDA[1]	20,033	30,250	34,490	30,131
Adjusted EBITDA attributable to shareholders[1]	16,297	26,254	29,405	27,293
Earnings (loss) attributable to shareholders	8,277	8,011	7,804	17,601
Earnings (loss) per share	0.13	0.12	0.12	0.27
Diluted earnings (loss) per share	0.13	0.12	0.12	0.27
Weighted average shares outstanding[2]	64,842,209	65,031,433	65,047,676	65,077,500
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	63,935,153	64,154,263	64,417,905	64,676,360

[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.

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 to not be a part of normal operations of the business. Items that are excluded from adjusted EBITDA include restructuring and reorganization expenses, gains and losses on investment activities, costs associated with acquisitions to the extent not capitalized, financing and refinancing costs, net gains on insurance claims and share-based compensation. In addition, recurring accounting gains and losses on foreign exchange (other than realized gains and losses on forward exchange contracts), have been excluded from the calculation of Adjusted EBITDA. Unrealized gains and losses on forward exchange contracts relate to economic hedging on future operational transactions and by adjusting for them, the results more closely reflect the economic effect of the hedging relationships in the period to which they relate.

Reconciliation of net earnings (loss) to adjusted EBITDA for the 13 weeks ended April 4, 2020 and March 30, 2019 and rolling twelve months ended April 4, 2020, March 30, 2019 and March 31, 2018 is as follows:

	13 weeks ended		12 months Rolling		
	April 4 2020	March 30 2019	**April 4 2020**	March 30 2019	March 31 2018
Earnings (loss)	$ (31,533)	$ 10,783	$ 10,527	$ 17,277	$ 14,821
Add (deduct):					
Income taxes	2,651	(636)	6,976	697	8,762
Taxes and depreciation for equity investment	216	465	1,207	573	2,377
Depreciation and amortization	8,063	10,036	42,649	47,913	46,576
Interest on long-term debt and bank charges	6,753	7,499	30,004	30,679	30,334
Earnings before interest, taxes, depreciation and amortization	$ (13,850)	$ 28,147	$ 91,363	$ 97,139	$ 102,870
Add (deduct) other items:					
Unrealized foreign exchange and derivative loss (gain)	25,418	(9,420)	11,905	5,541	(9,489)
Fair market value on long-term debt	204	397	1,125	1,418	(1,377)
Realized foreign exchange loss (gain) on working capital	(769)	683	330	(1,442)	(248)
Restructuring and refinancing costs	2,030	100	2,076	332	16,476
Share-based compensation (recovery) expense	15	126	1,119	2,320	(292)
Adjusted EBITDA	**$ 13,048**	**$ 20,033**	**$ 107,918**	**$ 105,308**	**$ 107,940**
Adjusted EBITDA attributed to:					
Non-controlling interests	$ 2,733	$ 3,736	$ 14,654	$ 15,771	$ 19,651
Shareholders of Clearwater	10,315	16,297	93,264	89,537	88,289
	$ 13,048	**$ 20,033**	**$ 107,918**	**$ 105,308**	**$ 107,940**

Adjusted earnings attributable to shareholders

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

Reconciliation of net earnings to adjusted earnings for the 13 weeks ended April 4, 2020 and March 30, 2019 and rolling twelve months ended April 4, 2020, March 30, 2019 and March 31, 2018 is as follows:

	13 weeks ended		Rolling 12 months ended		
	April 4 2020	**March 30 2019**	**April 4 2020**	**March 30 2019**	**March 31 2018**
Reconciliation of net earnings to adjusted earnings					
Earnings (loss)	$ (31,533)	$ 10,783	$ 10,528	$ 17,277	$ 14,821
Add (deduct)					
Restructuring and refinancing costs	2,030	100	2,076	332	16,476
Share-based compensation (recovery)	15	126	1,120	2,320	(292)
Unrealized foreign exchange and derivative (gain) loss	25,418	(9,420)	11,905	5,541	(9,489)
Fair value on long-term debt	204	397	1,125	1,418	(1,377)
	27,667	(8,797)	16,226	9,611	5,318
Adjusted earnings	**$ (3,866)**	**$ 1,986**	**$ 26,754**	**$ 26,888**	**$ 20,139**
Adjusted earnings attributable to:					
Non-controlling interests	2,461	3,020	11,326	12,434	13,098
Shareholders	(6,327)	(1,034)	15,428	14,454	7,041
	$ (3,866)	$ 1,986	$ 26,754	$ 26,888	$ 20,139
Adjusted earnings per share:					
Weighted average of shares outstanding	65,129,091	64,842,209	65,071,425	64,522,629	63,934,698
Adjusted earnings per share for shareholders	(0.10)	(0.02)	0.24	0.22	0.11
Reconciliation of adjusted earnings to adjusted EBITDA					
Adjusted earnings	$ (3,866)	$ 1,986	$ 26,754	$ 26,888	$ 20,139
Add (deduct)					
Income tax expense	2,651	(636)	6,976	697	8,762
Depreciation and Amortization	8,063	10,036	42,649	47,913	46,576
Interest on long-term debt and bank charges	6,753	7,499	30,004	30,679	30,334
Taxes and depreciation on equity investment	216	465	1,207	573	2,377
Realized foreign exchange on working capital	(769)	683	328	(1,442)	(248)
	16,914	18,047	81,164	78,420	87,801
Adjusted EBITDA[1]	**$ 13,048**	**$ 20,033**	**$ 107,918**	**$ 105,308**	**$ 107,940**

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 April 4, 2020, December 31, 2019, March 30, 2019 and March 31, 2018 is as follows:

In 000's of Canadian dollars Rolling 12 months ended		**April 4 2020**		December 31 2019		March 30 2019		March 31 2018
Adjusted EBITDA[1] attributable to shareholders	**$**	**93,264**	$	99,245	$	89,537	$	88,289
Long-term debt[2]		**508,280**		440,259		460,908		478,975
Less: Cash		**(56,354)**		(32,368)		(35,951)		(34,868)
Adjust for:								
Hedging instruments[3]		**(27,467)**		(2,847)		(10,086)		(927)
Cash attributed to non-controlling interest		**2,161**		6,316		4,136		-
Net debt	**$**	**426,620**	$	411,360	$	419,007	$	443,180
Leverage		**4.6x**		4.1x		4.7x		5.0x

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

2 Debt is net of unamortized deferred financing charges of $7.8 million (December 31, 2019 - $7.2 million; March 30, 2019 - $8.7 million; March 31, 2018 - $10.0 million).

3 Debt 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 for the 13 weeks ended April 4, 2020 and March 30, 2019 and rolling twelve months ended April 4, 2020, March 30, 2019 and March 31, 2018 is as follows:

	13 weeks ended		12 months Rolling		
	April 4 2020	March 30 2019	April 4 2020	March 30 2019	March 31 2018
Adjusted EBITDA	$ 13,048	$ 20,033	$ 107,918	$ 105,308	$ 107,940
Less:					
Interest and bank charges	(6,324)	(7,499)	(28,242)	(29,388)	(28,816)
Current income tax expense	(414)	(905)	(2,175)	(5,271)	(11,111)
Other income and expense items	(488)	(3,416)	(6,580)	(4,529)	(11,695)
Operating cash flow before changes in working capital	5,822	8,213	70,921	66,120	56,318
Changes in working capital	(1,779)	4,099	(15,457)	7,849	34,610
Cash flows from operating activities	**4,043**	**12,312**	**55,464**	**73,969**	**90,928**
Sources (uses) of cash:					
Purchase of property, plant, equipment and other assets	(10,719)	(6,575)	(32,120)	(19,934)	(72,087)
Proceeds from disposal of fixed assets	813	1,227	1,596	1,227	2,408
Less: Designated borrowings[1]	-	-	-	-	31,450
Scheduled payments on long-term debt	(101)	(101)	(10,606)	(10,648)	(10,537)
Repayments of lease liabilities	(406)	(351)	(1,656)	(351)	-
Dividends received from joint venture	-	-	3,640	3,228	3,340
Distributions to non-controlling interests	(4,634)	(2,780)	(15,259)	(10,890)	(18,138)
Non-routine project costs	1,043	394	1,525	3,103	5,111
Payments on long-term incentive plans	121	490	383	490	2,702
Free cash flows	**$ (9,840)**	**$ 4,616**	**$ 2,967**	**$ 40,194**	**$ 35,177**
Reconciliation of change in cash flows in					
Add/(less):					
Other debt borrowings (repayments) of debt, use of cash	37,330	(2,618)	(6,355)	(27,652)	5,831
Issuance of equity	95	-	1,095	4,548	-
Other investing activities	(138)	(615)	(717)	(1,381)	(5,088)
Other financing activities	(3,285)	(11)	(12,362)	(12,905)	(13,337)
Payments on long-term incentive plans	(121)	(490)	(752)	(490)	(2,702)
Non-routine project	(1,044)	(394)	(876)	(3,103)	(5,111)
Impact of foreign exchange on cash	989	(424)	(973)	(628)	2,045
Change in cash flows for the period	$ 23,986	$ 64	$ (17,973)	$ (1,417)	$ 16,815

[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.
[2] Scheduled payments on long-term debt includes payments on Term Loan B, Deferred Obligation, Earnout liability and other loans.

Return on assets

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

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

The calculation of adjusted earnings before interest and taxes to total assets for the rolling twelve months ended April 4, 2020, March 30, 2019 and March 31, 2018 is as follows:

In (000's) of Canadian dollars	**April 4 2020**	March 30 2019	March 31 2018
Adjusted EBITDA[1]	$ **107,918**	$ 105,308	$ 107,940
Depreciation and amortization	**42,649**	47,913	44,901
Adjusted earnings before interest and taxes	**65,269**	57,395	63,039
Average quarterly total assets	$ **739,384**	$ 742,406	$ 785,398
	8.8%	7.7%	8.0%

[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 April 4, 2020 and the unaudited condensed consolidated interim Statements of Earnings (Loss), Comprehensive Income (Loss), Shareholders' Equity, and Cash Flows for the 13 weeks ended April 4, 2020 and March 30, 2019. The Company's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the April 4, 2020 and March 30, 2019 condensed consolidated interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

CLEARWATER SEAFOODS INCORPORATED
Condensed Consolidated Interim Statements of Financial Position

(unaudited)
(In thousands of Canadian dollars)

As at	April 4 2020	December 31 2019
ASSETS		
Current assets		
Cash	$ 56,354	$ 32,368
Trade and other receivables	66,518	89,159
Inventories	77,710	72,587
Income tax receivable	1,025	760
Prepaids and other	10,538	5,095
Derivative financial instruments (Note 5)	2,453	7,005
	214,598	206,974
Non-current assets		
Long-term receivables	7,214	7,106
Derivative financial instruments (Note 5)	28,822	6,028
Other assets	431	383
Property, plant and equipment	243,076	239,963
Investment in equity investee	9,175	8,664
Deferred tax assets	10,897	12,805
Intangible assets (Note 6)	187,890	187,391
Goodwill	48,679	48,185
	536,184	510,525
TOTAL ASSETS	$ 750,782	$ 717,499
LIABILITIES		
Current liabilities		
Trade and other payables	$ 56,864	$ 71,390
Current portion of long-term debt (Note 7)	12,003	11,511
Derivative financial instruments (Note 5)	12,173	178
	81,040	83,079
Non-current liabilities		
Long-term debt (Note 7)	496,277	428,749
Derivative financial instruments (Note 5)	1,596	1,080
Other long-term liabilities	70	649
Deferred tax liabilities	18,154	16,492
	516,097	446,970
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	$ 217,081	$ 216,986
Contributed surplus	4,476	4,164
Retained earnings (deficit)	(47,910)	(10,155)
Accumulated comprehensive loss ("ACL")	(35,133)	(40,213)
	138,514	170,782
Non-controlling interest	15,131	16,668
	153,645	187,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 750,782	$ 717,499

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		**April 4 2020**		**March 30 2019**
Sales	**$**	**100,341**	**$**	120,083
Cost of goods sold		**84,197**		98,532
Gross margin		**16,144**		21,551
Operating expenses				
Administrative and selling costs (Note 9)		**12,124**		13,507
Restructuring costs (Note 9)		**1,776**		-
Net finance costs		**6,912**		7,811
(Gains) losses on derivative financial instruments (Note 5 (d))		**19,596**		(9,235)
Foreign exchange (gains) losses on long-term debt and working capital (Note 5 (e))		**4,541**		(129)
Other (income) expense		**(374)**		(625)
Research and development		**451**		74
		45,026		11,403
Earnings (loss) before income taxes		**(28,882)**		10,148
Income tax (recovery) expense		**2,651**		(636)
Earnings (loss) for the period	**$**	**(31,533)**	**$**	10,784
Earnings (loss) attributable to:				
Non-controlling interest	**$**	**2,936**	**$**	2,506
Shareholders of Clearwater		**(34,469)**		8,278
	$	**(31,533)**	**$**	10,784
Basic earnings (loss) per share (Note 10)	**$**	**(0.53)**	**$**	0.13
Diluted earnings (loss) per share (Note 10)	**$**	**(0.53)**	**$**	0.13

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		**April 4 2020**		**March 30 2019**
Earnings (loss) for the period	**$**	**(31,533)**	$	10,784
Comprehensive income (loss)				
Items that may be reclassified subsequently to income (loss):				
Foreign currency translation differences of foreign operations		**3,000**		(265)
Cash flow hedges - effective portion of change in fair value, net of tax (Note 5 (c))		**2,762**		(892)
Cash flow hedges - reclassified to earnings, net of tax (Note 5 (c))		**(521)**		(76)
		5,241		(1,233)
Comprehensive income (loss) for the period	**$**	**(26,292)**	$	9,551
Comprehensive income (loss) attributable to:				
Non-controlling interest	**$**	**3,097**	$	2,485
Shareholders of Clearwater		**(29,389)**		7,066
	$	**(26,292)**	$	9,551

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, 2019	**$ 215,506**	**$ 4,218**	**$ 2,019**	**$ (38,072)**	**$ (38,848)**	**$ 18,397**	**$ 163,220**
Comprehensive income (loss) for the period	-	-	(968)	(244)	8,278	2,485	9,551
Transactions recorded directly in equity							
Share-based compensation	99	82	-	-	-	-	181
Distributions to non-controlling interest	-	-	-	-	-	(2,676)	(2,676)
Dividends declared on common shares	-	-	-	-	(3,242)	-	(3,242)
Total transactions with owners	99	82	-	-	(3,242)	(2,676)	(5,737)
Balance at March 30, 2019	**$ 215,605**	**$ 4,300**	**$ 1,051**	**$ (38,316)**	**$ (33,812)**	**$ 18,206**	**$ 167,034**
Comprehensive income (loss) for the period	-	-	(661)	(2,287)	33,414	8,592	39,058
Transactions recorded directly in equity							
Share-based compensation	286	(136)	-	-	-	-	150
Distributions to non-controlling interest	-	-	-	-	-	(10,130)	(10,130)
Dividends declared on common shares	-	-	-	-	(9,757)	-	(9,757)
Common shares issued under DRIP	1,095	-	-	-	-	-	1,095
Total transactions with owners	1,381	(136)	-	-	(9,757)	(10,130)	(18,642)
Balance at December 31, 2019	**$ 216,986**	**$ 4,164**	**$ 390**	**$ (40,603)**	**$ (10,155)**	**$ 16,668**	**$ 187,450**
Comprehensive income (loss) for the period	**-**	**-**	**2,241**	**2,839**	**(34,469)**	**3,097**	**(26,292)**
Transactions recorded directly in equity							
Share-based compensation	**-**	**312**	**-**	**-**	**-**	**-**	**312**
Distributions to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(4,634)**	**(4,634)**
Dividends declared on common shares	**-**	**-**	**-**	**-**	**(3,286)**	**-**	**(3,286)**
Common shares issued under DRIP	**95**	**-**	**-**	**-**	**-**	**-**	**95**
Total transactions with owners	**95**	**312**	**-**	**-**	**(3,286)**	**(4,634)**	**(7,513)**
Balance at April 4, 2020	**$ 217,081**	**$ 4,476**	**$ 2,631**	**$ (37,764)**	**$ (47,910)**	**$ 15,131**	**$ 153,645**

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		**April 4 2020**		**March 30 2019**
Operating				
Earnings (loss) for the period	**$**	**(31,533)**	$	10,784
Adjustments for:				
Depreciation and amortization		**8,063**		10,036
Accretion on long-term debt		**159**		312
Amortization of deferred financing costs		**429**		436
Net changes in unrealized foreign exchange (gains) losses on financial assets and liabilities		**27,992**		(11,422)
Deferred tax expense (recovery)		**2,237**		(1,541)
Share-based compensation		**15**		126
(Gain) loss on disposal of property, plant, and equipment and other assets		**41**		125
(Earnings) loss from equity investee		**(511)**		(1,083)
Foreign exchange and other		**(1,070)**		440
Cash from operating activities before changes in working capital		**5,822**		8,213
Change in non-cash operating working capital (Note 13)		**(1,779)**		4,099
Cash from (used in) operating activities	**$**	**4,043**	$	12,312
Financing				
Repayment of long-term debt		**(101)**		(101)
Net proceeds (repayment of) from revolving credit facility		**37,330**		(2,618)
Repayment of lease liabilities		**(406)**		(351)
Distributions paid to non-controlling interest		**(4,634)**		(2,780)
Repayments from (advances to) minority partners		**-**		(11)
Dividends paid on common shares, net of dividends reinvested		**(3,191)**		-
Cash from (used in) financing activities	**$**	**28,998**	$	(5,861)
Investing				
Purchase of property, plant and equipment		**(10,719)**		(6,575)
Proceeds on disposal of property, plant and equipment		**813**		1,227
Net proceeds from sale (purchase) of other assets		**(75)**		(14)
Net proceeds (advances) from long-term receivables		**(63)**		(601)
Cash from (used in) investing activities	**$**	**(10,044)**	$	(5,963)
Effect of foreign exchange rate changes on cash	**$**	**989**	$	(424)
Increase (decrease) in cash		**23,986**		64
Cash, beginning of period		**32,368**		35,887
Cash, end of period	**$**	**56,354**	$	35,951
Supplemental disclosure of operating cash flows				
Cash interest paid		**(849)**		(1,498)
Cash income taxes paid		**(3,108)**		(1,335)

See the accompanying notes to the condensed consolidated interim financial statements

1. DESCRIPTION OF THE BUSINESS

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

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

The Condensed Consolidated Interim Financial Statements of Clearwater as at April 4, 2020 and December 31, 2019 and for the 13 weeks ended April 4, 2020 and March 30, 2019 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, 2019 (included in Clearwater's 2019 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 May 15, 2020.

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, 2019 financial statements, except as described below.

(b) Critical judgements and estimates in applying accounting policies

We have considered the impact of the novel coronavirus known as COVID-19, which surfaced in late 2019 and has since been declared a global pandemic, on our condensed consolidated interim financial statements.

Clearwater's condensed consolidated interim financial statements as at and for the 13 weeks ended April 4, 2020, have been negatively impacted by COVID-19. We expect the pandemic to have future impacts, the extent of which is uncertain and largely subject to the duration of response measures. These impacts could include but may not be limited to risks and uncertainty related to shifts in demand between sales channels and regions, our ability to operate production facilities, and workforce availability in our supply chain.

Consequently, this may subject us to future risk of material goodwill, intangible and long-lived asset impairments, increased reserves for uncollectible accounts, adjustments for inventory and deferred taxes, and market volatility for items subject to fair value measurements such as derivatives and share-based compensation.

3. CHANGES IN ACCOUNTING POLICIES

New and amended accounting policies

Clearwater has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2020. These changes were made in accordance with the applicable transitional provisions.

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Estimates and Errors

Effective January 1, 2020, the Company has adopted the amendments in *Definition of Materia*l (amendments to IAS 1 and IAS 8) as issued by the International Accounting Standards Board ("IASB"). The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and aligns the definition used within the IFRS Standards. The application of the amendment has been made on a prospective basis and did not have an impact on Clearwater.

IFRS 3 – Business Combinations

Effective January 1, 2020, the Company has applied the amendments to IFRS 3 which narrow and clarify the definition of a business. IFRS 3 introduces an optional simplified initial assessment of whether an acquired group of assets is a single identifiable group of assets, rather than a business which if applicable, eliminates the requirement for a detailed assessment of the definition. The application of the amendment has been made on a prospective basis and did not have an impact on Clearwater.

New accounting standards not yet adopted

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

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 *Presentation of Financial Statements* providing a more general approach to the classification of liabilities. The amendment clarifies that the classification of liabilities as current or non-current depends on the rights existing at the end of the reporting period as opposed to the expectations of exercising the right for settlement of the liability. The amendments further clarify that settlement refers to the transfer of cash, equity instruments, other assets, or services to the counterparty.

The amendments are effective for annual periods beginning on or after January 1, 2022 and are to be applied retrospectively, with early adoption permitted. Clearwater is currently evaluating the financial impact of the amendments and expects to apply the amendments at the effective date.

(Tabular amounts are in thousands of Canadian dollars)

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.

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

April 4, 2020	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 56,354	$ -	$ -	**$ 56,354**	**$ 56,354**
Trade and other receivables	-	-	66,518	**66,518**	**66,518**
Long-term receivables	-	-	7,214	**7,214**	**7,214**
Derivative financial instruments	26,702	4,573	-	**31,275**	**31,275**
	$ 83,056	$ 4,573	$ 73,732	**$ 161,361**	**$ 161,361**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (56,864)	**$ (56,864)**	**$ (56,864)**
Long-term debt	(2,505)	-	(505,775)	**(508,280)**	**(465,287)**
Derivative financial instruments	(13,769)	-	-	**(13,769)**	**(13,769)**
	$ (16,274)	$ -	$ (562,639)	**$ (578,913)**	**$ (535,920)**

[1] Trade and other payables includes share-based compensation of $3.0 million which is not recorded at amortized cost.

December 31, 2019	FVTPL	FV Hedging	Amortized cost	Total Carrying amount	Fair value
Assets:					
Cash	$ 32,368	$ -	$ -	**$ 32,368**	**$ 32,368**
Trade and other receivables	-	-	89,159	**89,159**	**89,159**
Long-term receivables	-	-	7,106	**7,106**	**7,106**
Derivative financial instruments	12,152	881	-	**13,033**	**13,033**
	$ 44,520	$ 881	$ 96,265	**$ 141,666**	**$ 141,666**
Liabilities:					
Trade and other payables[1]	$ -	$ -	$ (71,390)	**$ (71,390)**	**$ (71,390)**
Long-term debt	(2,431)	-	(437,829)	**(440,260)**	**(460,741)**
Derivative financial instruments	(976)	(282)	-	**(1,258)**	**(1,258)**
	$ (3,407)	$ (282)	$ (509,219)	**$ (512,908)**	**$ (533,389)**

[1] Trade and other payables includes share-based compensation of $3.4 million which is not recorded at amortized cost.

(Tabular amounts are in thousands of Canadian dollars)

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 April 4, 2020 was $318.9 million (December 31, 2019 - $351.6 million) and the carrying value was $361.9 million (December 31, 2019 - $331.1 million). The fair value of long-term debt has been classified as Level 2 in the fair value hierarchy (described below) and was estimated based on discounted cash flows using current rates for similar financial instruments subject to similar risks and maturities.

(a) Fair value hierarchy

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

- Level 1: Fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

April 4, 2020	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 56,354	$ -	$ -
Derivative financial instruments	-	31,275	-
	$ 56,354	$ 31,275	$ -
Financial Liabilities:			
Derivative financial instruments	-	13,769	-
Earnout liability	-	-	2,505
	$ -	$ 13,769	$ 2,505

(Tabular amounts are in thousands of Canadian dollars)

December 31, 2019	Level 1	Level 2	Level 3
Recurring measurements			
Financial Assets:			
Cash	$ 32,368	$ -	$ -
Derivative financial instruments		13,033	
	$ 32,368	$ 13,033	$ -
Financial Liabilities:			
Derivative financial instruments	-	1,258	-
Earnout liability	-	-	2,431
	$ -	$ 1,258	$ 2,431

There were no transfers between levels during the periods ended April 4, 2020 and December 31, 2019.

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.

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

(b) Derivative financial instruments

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

Clearwater has forward contracts maturing each month until April 2022 and forward contracts related to the USD Notes maturing May 2022 (Note 7).

(Tabular amounts are in thousands of Canadian dollars)

At April 4, 2020 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	1.282	4	$	1,865
Derivatives not designated as hedging instruments					
Euro	4,120	1.562	6		85
USD	3,332	1.441	7		76
Euro - GBP	11,051	0.906	6		427
				$	2,453
Contracts in a non-current asset position					
Derivatives designated as hedging instruments					
USD	20,625	1.283	19	$	2,708
Derivatives not designated as hedging instruments					
Euro	2,000	1.573	16		40
USD	202,260	1.286	25		26,006
Yen	45,000	0.0134	22		8
Euro - GBP	1,310	0.917	16		60
					28,822
Total contracts in an asset position				$	31,275
Contracts in a current liability position					
Derivatives not designated as hedging instruments					
Euro	23,593	1.482	5		(1,318)
USD	99,498	1.327	5		(8,769)
Yen	2,460,650	0.0125	6		(1,473)
Euro - GBP	15,227	0.859	5		(614)
				$	(12,174)
Contracts in a non-current liability position					
Derivatives not designated as hedging instruments					
Euro	2,860	1.502	14		(122)
USD	15,570	1.342	15		(1,050)
Yen	691,100	0.0127	16		(317)
Euro - GBP	2,460	0.861	14		(107)
					(1,595)
Total contracts in a liability position				$	(13,769)

(Tabular amounts are in thousands of Canadian dollars)

At December 31, 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	1.243	7	$ 376
Derivatives not designated as hedging instruments				
Euro	-	1.531	6	1,630
USD	102,041	1.322	5	2,399
Yen	2,713,650	0.0124	6	962
Euro - GBP	23,073	0.893	6	1,638
				$ 7,005
Contracts in a non-current asset position				
Derivatives designated as hedging instruments				
USD	10,313	1.250	22	$ 505
Derivatives not designated as hedging instruments				
Euro	4,100	1.512	15	59
USD	114,640	1.263	26	4,889
Yen	1,056,400	0.013	17	432
Euro - GBP	2,850	0.888	15	143
				6,028
Total contracts in an asset position				$ 13,033
Contracts in a current liability position				
Derivatives designated as hedging instruments				
USD	6,875	1.321	7	$ (152)
Derivatives not designated as hedging instruments				
Yen	28,000	0.0117	2	(8)
Euro - GBP	1,480	0.846	8	(18)
				$ (178)
Contracts in a non-current liability position				
Derivatives designated as hedging instruments				
USD	10,313	1.315	22	$ (130)
Derivatives not designated as hedging instruments				
USD	100,000	1.314	28	(942)
Euro - GBP	620	0.853	16	(8)
				(1,080)
Total contracts in a liability position				**$** (1,258)

(Tabular amounts are in thousands of Canadian dollars)

(c) 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		**April 4 2020**	March 30 2019	**April 4 2020**	March 30 2019	**April 4 2020**	March 30 2019
Forward foreign exchange contracts		**3,974**	(1,283)	**(749)**	(109)	-	-
Income tax recovery (expense)		**(1,212)**	391	**228**	33	-	-
Net gain (loss)	**$**	**2,762**	(892)	**(521)**	(76)	-	-

(d) (Gains) losses on derivative financial instruments

13 weeks ended		**April 4 2020**		March 30 2019
Realized (gain) loss				
Forward foreign exchange contracts	**$**	**(512)**	$	(627)
Changes in unrealized gains & losses				
Forward foreign exchange contracts		**20,108**		(8,608)
	$	**19,596**	$	(9,235)

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

13 weeks ended		**April 4 2020**		March 30 2019
Realized (gain) loss				
Long-term debt and working capital	**$**	**(769)**	$	683
Changes in unrealized gains & losses				
Long-term debt and working capital		**27,634**		(5,990)
Forward foreign exchange contracts on long-term debt		**(22,324)**		5,178
Total changes in unrealized (gains) losses		**5,310**		(812)
	$	**4,541**	$	(129)

(f) Risk management

Clearwater is exposed to financial risks, including market risks related to foreign exchange rates, interest rates as well as credit risk and liquidity risk. Refer to Note 7 in Clearwater's 2019 Annual Financial Statements for detailed discussion of financial risks.

(Tabular amounts are in thousands of Canadian dollars)

Liquidity risk

Clearwater manages its liquidity risk by ensuring that it has access to multiple sources of capital including cash and cash equivalents, cash from operating activities, and availability under its revolving credit facility. As at April 4, 2020, Clearwater had $56.4 million in cash and cash equivalents and $91.3 million available on its revolving credit facility.

Clearwater's financial results and operations have been negatively impacted by COVID-19. We expect COVID-19 to have future impacts, including but may not be limited to risks and uncertainty related to shifts in demand between sales channels and regions, our ability to operate production facilities, and workforce availability in our supply chain. As the duration and recovery trend is unknown, as part of the Company's financial risk mitigation strategy, the Company has arranged for amendments to the financial covenants of its senior credit facilities as disclosed in Note 7. We closely manage our working capital and inventory and remain focused on cash collection.

Clearwater is in compliance with all covenants associated with its debt facilities as of April 4, 2020.

6. INTANGIBLE ASSETS AND GOODWILL

The outbreak of COVID-19 has resulted in a global economic environment that has impacted demand in the near term and reduced enterprise values in the market. With the increased operating uncertainty related to COVID-19 and BREXIT, we performed an impairment review of the Macduff cash-generating unit and determined that the recoverable amount of the CGU was in excess of the carrying value as at April 4, 2020. An increase in discount rates or a decrease in future cash flows of the CGU may result in an impairment charge in a future reporting period.

7. LONG-TERM DEBT

As at		April 4 2020		December 31 2019
Senior debt (a):				
USD senior unsecured notes, due May 2025 (USD $250,000)	**$**	**349,602**	$	319,059
Term loan B, due November 2024		**33,734**		33,879
Revolving credit facility, due November 2024		**103,741**		66,183
Deferred obligation		**8,729**		8,471
Earnout liability		**2,505**		2,431
Term loan, due in 2091		**3,500**		3,500
Lease liabilities		**6,426**		6,680
Other loans		**43**		57
Total debt		**508,280**		440,260
Less: current portion [1]		**(12,003)**		(11,511)
Total Long-term Debt	**$**	**496,277**	$	428,749

[1]Current portion of long-term debt includes scheduled payments related to the Senior debt, 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 April 4, 2020, except as noted below. For details regarding long-term debt, refer to Note 13 in Clearwater's 2019 Annual Financial Statements.

(Tabular amounts are in thousands of Canadian dollars)

(a) Senior debt

In February 2020, Clearwater amended the credit facility agreement to extend the maturity date for Term Loan B and the revolving credit facility from May 2022 to November 2024. Transaction costs of $0.5 million were added to deferred financing costs and will be amortized over the remaining term of the loan and credit facility using the effective interest rate.

On May 13, 2020, the Company successfully closed an amendment to its senior secured credit facility to increase the total leverage covenant for the remaining quarters of 2020. This is expected to provide adequate access to liquidity, given near-term consumer demand uncertainty from COVID-19.

8. SHARE CAPITAL

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

Share capital movement:

As at		**April 4 2020**		December 31 2019
Share capital:	**#**	**$**	#	$
Balance at January 1	**65,128,253**	**216,986**	64,841,993	215,506
Shares issued under share-based compensation plans	**-**	**-**	69,426	385
Shares issued under dividend reinvestment plan	**19,895**	**95**	216,834	1,095
Closing balance	**65,148,148**	**217,081**	65,128,253	216,986

Clearwater reserved 2.5 million common shares (April 4, 2020 – 2.4 million remaining) for issuance under the share-based compensation plans and 3.0 million (April 4, 2020 – 1.9 million remaining) under the dividend reinvestment plan.

9. OPERATING EXPENSES

13 weeks ended	**April 4 2020**	March 30 2019
Salaries and benefits	**$ 9,410**	$ 10,241
Share-based incentive compensation	**15**	126
Employee compensation	**9,425**	10,367
Consulting and professional fees	**3,086**	3,401
Other[1]	**2,852**	3,232
Allocation to cost of goods sold[2]	**(3,239)**	(3,493)
Administrative and selling	**12,124**	13,507
Restructuring costs	**1,776**	-
Operating expenses	**13,900**	13,507

[1] Other includes, but is not limited to, selling costs, travel and occupancy, gains and losses on assets, depreciation on corporate assets and donations.

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

(Tabular amounts are in thousands of Canadian dollars)

In the first quarter of 2020, Clearwater completed an organizational restructuring within land-based operations to improve global integration, accelerate innovation and quality improvements and achieve efficiencies within the supply chain.

10. EARNINGS (LOSS) PER SHARE

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

13 weeks ended		April 4 2020		March 30 2019
Earnings (loss) attributable to shareholders - basic	**$**	**(34,469)**	$	8,278
Adjustment for share-based compensation plan shares		**(280)**		-
Earnings (loss) attributable to shareholders - diluted		**(34,749)**		8,278
Weighted average number of shares outstanding - basic		**65,129,091**		64,842,209
Adjustment for share-based compensation plan shares		**493,947**		60,064
Weighted average number of shares outstanding - diluted		**65,623,038**		64,902,273
Earnings per share				
Basic	**$**	**(0.53)**	$	0.13
Diluted	**$**	**(0.53)**	$	0.13

Diluted weighted average number of shares outstanding are adjusted for the dilutive effect of share-based compensation. For the quarter ended April 4, 2020 179,144, (March 30, 2019 – nil) potentially dilutive shares were excluded from the calculation of diluted (loss) earnings per share as they were anti-dilutive.

11. SEGMENT INFORMATION

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

(a) Sales by Species

13 weeks ended		April 4 2020		March 30 2019
Scallops	**$**	**32,414**		36,700
Clams		**18,953**		24,608
Coldwater shrimp		**17,773**		21,360
Lobster		**13,180**		19,182
Langoustine		**7,564**		10,418
Whelk		**5,805**		4,484
Crab		**1,323**		1,916
Ground fish and other shellfish		**3,329**		1,415
	$	**100,341**	$	120,083

(Tabular amounts are in thousands of Canadian dollars)

(b) Sales by Geographic Region of the Customer

13 weeks ended	April 4 2020	March 30 2019
France	**$ 16,149**	$ 18,233
Scandinavia	**6,443**	5,404
UK	**6,029**	6,049
Other	**11,428**	12,184
Europe	**40,049**	41,870
China	**17,296**	32,178
Japan	**13,623**	14,230
Other	**8,035**	6,796
Asia	**38,954**	53,204
United States	**14,881**	17,289
Canada	**6,453**	7,714
North America	**21,334**	25,003
Other	**4**	6
	$ 100,341	$ 120,083

(c) Non-current Assets by Geographic Region

As at	April 4 2020	December 31 2019
Property, plant and equipment, licenses, fishing rights and goodwill		
Canada	**$ 293,700**	$ 291,813
Argentina	**11,459**	10,770
Scotland	**173,473**	171,891
Other	**1,013**	1,065
	$ 479,645	$ 475,539

12. CONTINGENT LIABILITIES

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

(Tabular amounts are in thousands of Canadian dollars)

13. ADDITIONAL CASH FLOW INFORMATION

Changes in operating working capital

13 weeks ended		**April 4 2020**		March 30 2019
Decrease (increase) in trade and other receivables	$	**22,260**	$	6,823
Decrease (increase) in inventories		**(3,745)**		(5,150)
Decrease (increase) in prepaids and other		**(5,307)**		(588)
(Decrease) increase in trade and other payables		**(14,716)**		3,445
(Decrease) increase in income tax payable/receivable		**(271)**		(431)
	$	**(1,779)**	$	4,099

Changes in liabilities arising from financing activities		**April 4 2020**		March 30 2019
Current and long-term debt - beginning of period	**$**	**440,261**	$	463,417
Scheduled repayments of long-term debt		**(101)**		(101)
Repayment of lease liabilities		**(406)**		(351)
Net proceeds (repayments of) from revolving credit facility, net of financing costs		**37,330**		(2,618)
Non-cash changes in long-term debt:				
Accretion of deferred obligation		**159**		312
Fair market value adjustment on earnout liability		**45**		85
Amortization of deferred financing costs		**429**		436
Foreign exchange (gain) loss on long-term debt		**30,496**		(7,365)
Net additions to lease liabilities		**67**		-
Lease liability transition adjustment[1]		**-**		7,093
Current and long-term debt - end of period	**$**	**508,280**	$	460,908

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

14. SUBSEQUENT EVENTS

New joint venture

On January 15, 2020, Clearwater entered into an agreement to form a new joint venture which will take over the operations of the St. Anthony Limited Partnership plant. Closing of the transaction is subject to regulatory approval and customary conditions.

Quarterly dividend and dividend reinvestment plan

On May 15, 2020, the Board of Directors suspended dividends for the balance of 2020 given the uncertainty related to the duration and impact of COVID-19. The dividend reinvestment program is also suspended.